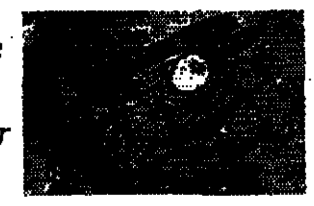
Why the white tribe gave away its power
Page I



The return of the sequel novel
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Ford drives off with Car of the Year
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Volvo and Renault
On separate roads after breakdown
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FINANCIAL TIMES

Europe's Business Newspaper | WEEKEND DECEMBER 4/DECEMBER 5 1993 | D8523A

Delors to seek £76bn job fund

Brussels bonds will finance transport and telecom projects

By Lionel Barber in Brussels

Mr Jacques Delors, president of the European Commission, will present plans at next week's EU summit to spend more than Ecu100bn (£76bn) over the next five years on job-creating rail, road and telecommunications projects in Europe.

The plans are expected to include a request to raise "Brussels bonds" on the international capital markets, with the Commission playing a lead co-ordinating role.

The aim is to raise cheap loans using the EU's favourable credit rating. It may provoke opposition from the UK and Germany, which remain wary of such "off-budget" financing.

It may also provoke hostility from the European Investment Bank, which has consistently rejected Brussels' arguments that plans for high-speed trains, roads and bridges are being starved of funds.

Mr Delors, though, is said to be determined to press the case for annual investment of Ecu20bn-30bn in trans-European networks. Some of the money has already been earmarked within existing budgets, but officials said a new financial instrument was required to make Europe more competitive, forge common European actions under the Maastricht treaty, and tackle mass unemployment.

Those themes will feature in Mr Delors' white paper on employment, growth and competitiveness, which will be submitted to a special meeting of the Commission tomorrow before being presented to European leaders at the two-day Brussels summit starting on Friday.

EU finance ministers have amended or blocked Mr Delors' proposals for creating soft-loan facilities to help small businesses, stimulate private-sector investment in infrastructure and create 15m new jobs by the year 2000.

Now the Commission president plans a direct appeal to European leaders. He will point to Article 129 in the Maastricht treaty, which provides for interest rate subsidies to fund trans-European networks, and urge a joint approach.

At this week's Franco-German summit, President François Mitterrand said he had agreed with Chancellor Helmut Kohl on the principle of an EU-wide borrowing plan. Mr Kohl however, said any proposal needed to be carefully studied.

He noted that only half of an Ecu5bn fund created by the European Investment Bank had been allocated this year for trans-European networks. It was important not to create a "new pot" into which money would be poured just for show.

Commission officials were confident of defeating UK opposition to heavy capital investment. They noted the campaign of Mr Kenneth Clarke, the UK chancellor of the exchequer, against the 1991 Urban Waste Water directive, which he claimed would cost £10bn. "If you had this money available, you could mobilise private finance and help to reduce risk," one official said.

Packaging directive, Page 2
Call for competitiveness council, Page 24

Bungle over Nadir documents a blow to fraud office

The credibility of Britain's Serious Fraud Office was further damaged when the government admitted that lawyers prosecuting Asil Nadir, fugitive head of Polly Peck International, the collapsed trading company, were wrongly handed privileged defence documents.

The admission by attorney general Sir Nicholas Lyell bears out one of the allegations about the SFO made by Michael Mates, the former Northern Ireland minister, who resigned in June over his relationship with Mr Nadir. Page 24; SFO admission comes at bad time, Page 7

Princess of Wales to cut down duties

The Princess of Wales announced that she was all but quitting public life by drastically scaling down her number of official duties. She made the announcement at a charity lunch (left) in London, asking to be given "time and space" and laying the *blame for the decision* partly at the door of the media. She will retain active links with a small number of charities and the units of the armed services with which she is associated.

Call for competitiveness council: Leading European industrialists want a US-style Competitiveness Council, to put the issue at the top of the European Union's political agenda. Page 24

Worries on trade delays: International trade negotiators in Geneva voiced concern over delays by the US and European Union in settling long-standing disagreements on opening markets to farm and manufactured goods. Page 2

SA think-tank stresses state role: A think-tank linked to the African National Congress published *proposals to revive the South African* economy which stress the central role of the state, rather than the private sector, in triggering growth from now until the end of the century. Page 4

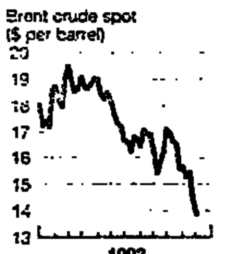
Euro Disney's banks have formed a steering committee to represent them in the negotiations towards an emergency financial restructuring package for the ailing leisure group. Page 11

Nigeria accused over oil facility: The state-owned Nigerian National Petroleum Corporation paid out $64m for an unnecessary oil storage facility it commissioned and subsequently cancelled, according to Chief Philip Asiodu, the country's former oil minister. Page 4

Spanish labour reforms agreed: The Spanish cabinet approved controversial legislation that seeks to create employment by promoting apprenticeship schemes and to stimulate industrial investment by removing labour market rigidities. Page 2

Prospect of Iraqi sales hits oil price

Oil price
Brent crude spot ($ per barrel)



Source: Datastream

Oil prices tumbled to new five-year lows yesterday as markets took fright at reports that Iraqi oil exports could resume earlier than expected. The price of the benchmark Brent Blend broke through the psychological barrier of $14 a barrel, to touch a low of $13.65 a barrel. It recovered in late London trading to $13.55, but sentiment remained bearish, according to traders. Page 3

'Super share' delay: The Australian Stock Exchange said if it agreed to alter its rules to accommodate News Corporation's request for the issue of "super-voting" shares, there would be a consultation process and the attorney-general would have a veto. Page 11

Protection plea by industrialists: Indian industrialists urged the government to safeguard the interests of domestic companies when opening up the economy to foreign investors. Page 4

Japan current account growth 'near end': Growth in Japan's politically controversial current account surplus is near an end, the finance ministry said, as annual growth in the surplus slowed to 1.4 per cent in October to $11.25bn, after a 10.2 per cent rise the previous month. Page 4

■ STOCK MARKET INDICES

FT-SE 100	3,234.2	(+10.3)
Yield	3.88	
FT-SE Eurotrack 100	1,327.12	(+12.94)
FT-A All-Share	1,539.72	(+0.2%)
Nikkei	17,459.35	(+3.6)
New York lunchtime		
Dow Jones Ind Ave	3703.51	(+1.41)
S&P Composite	463.99	(+0.33)

■ US LUNCHTIME RATES

Federal Funds	3%
3-mo Treas Bills: Yld	3.168%
Long Bond	99½
Yield	6.268%

■ LONDON MONEY

3-mo Interbank	5¼%	(5⅜%)
Liffe long gilt future	Dec 118½	(Dec 117½)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$13.87	(14.15)

■ Gold

New York Comex (Dec)	$376.8	(373.9)
London	$376.0	(374.95)

■ STERLING

New York lunchtime		
$	1.4915	
London		
$	1.4905	(1.4825)
DM	2.565	(2.5525)
FFr	8.8175	(8.7975)
SFr	2.22	(2.2175)
Y	161.5	(161.25)
£ Index	82.1	(81.7)

■ DOLLAR

New York lunchtime:		
DM	1.7195	
FFr	5.9105	
SFr	1.49	
Y	108.325	
London:		
DM	1.7205	(1.7215)
FFr	5.915	(5.935)
SFr	1.4895	(1.4965)
Y	108.4	(108.75)
$ Index	67.0	(67.3)
Tokyo close Y 108.85		

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Big fall in US jobless lifts hopes for robust recovery

By Michael Prowse in Washington

The sharpest fall in the US unemployment rate for a decade yesterday prompted claims that the US recovery, after stuttering for two years, is finally entering a benign phase of robust, non-inflationary growth.

The Labour Department said the jobless rate fell from 6.8 per cent in October to 6.4 per cent last month, the lowest level for three years. The figures – the latest in a string of buoyant economic statistics – surprised Wall Street analysts who expected a decline of only 0.1 or 0.2 percentage points.

Bond and share prices, however, were little changed as the figures confirmed recent signs of accelerating growth.

"We are moving in the right direction," President Bill Clinton told supporters in Washington. "We have unemployment down, investment up, no inflation and low interest rates."

Ms Laura Tyson, White House chief economist, said the pace of growth had picked up and was sustainable. Gross domestic product was likely to grow at an annual rate of more than 3 per cent this quarter. The faster recovery would continue next year, without putting upward pressure on inflation, now just under 3 per cent. Oil prices were down, commodity prices were soft and wage pressure was mild. "The evidence is compelling that inflation won't increase," she said.

Yesterday's figures were uniformly encouraging. Non-farm payroll employment was reported up 208,000 last month, against projections of an increase of about 170,000. Manufacturing employment was up 30,000, the second monthly increase after declines earlier this year. Hours worked rose to a record level, suggesting a strong gain in industrial production. But there was little sign of upward pressure on wages.

The Commerce Department said the official index of leading indicators – a guide to future

Continued on Page 24
Currencies, Page 13
Wall Street report, Page 21

Britain and Ireland agree to further talks

Summit revives search for Ulster peace plan

By Philip Stephens, David Owen and Tim Coone in Dublin

The British and Irish prime ministers last night revived their stalled Northern Ireland peace initiative with a plan for a joint declaration of principles designed to persuade the IRA to halt its campaign of violence.

But intense talks between Mr John Major and Mr Albert Reynolds at the Dublin summit still left the two governments without a detailed formula to bridge the gap between the aspirations of Irish nationalists and Britain's guarantee to Ulster Unionists of a veto over a united Ireland.

After what both leaders admitted had been a "frank" exchange over Britain's contacts this year with Sinn Féin, the political wing of the IRA, they acknowledged it might eventually prove impossible to bridge differences over the future of the province. "We cannot be certain we will resolve those difficulties," Mr Major said.

But after detailed discussion of different texts, Mr Major and Mr Reynolds said they remained committed to further talks. That raised hopes that a joint statement could be agreed when they meet in Brussels next week or during a session in London pencilled in before Christmas.

Balancing the two leaders' caution, Mr Reynolds said: "We got through quite a lot of very serious work, very productive work."

The Irish prime minister insisted during the talks that agreement on the joint declaration was essential to secure an end to violence by the IRA and set the stage for detailed talks with the political parties in Northern Ireland. He said afterwards: "At the end of the day peace is paramount."

Document war lifts Sinn Féin image ....Page 6

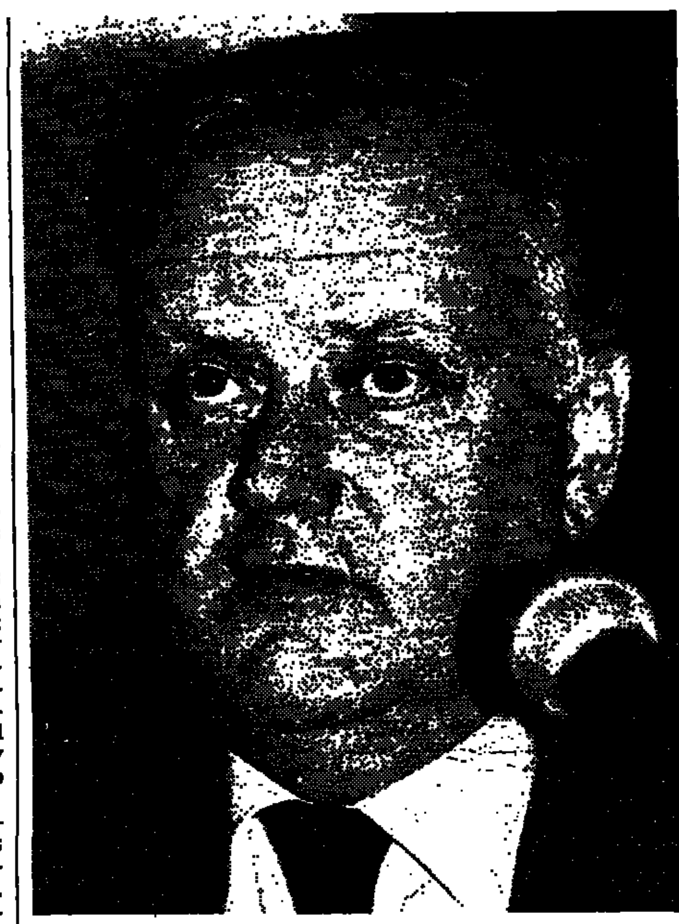
It is understood that the draft of the declaration includes a renewed offer to Sinn Féin of a place in negotiations in return for an end to terrorism. Mr Major also refused to dismiss the possibility of further bilateral contacts with Republican leaders. But he insisted that the IRA could not dictate the terms of any agreement. "There is no question of bargaining for an end to violence," he said.

Earlier Mr Major had faced sharp criticism from Mr Reynolds over the London government's covert contacts with Sinn Féin for much of this year. But the Irish leader said their sharp exchanges on the issue had "cleared the air".

At the heart of the day-long talks was an attempt, so far unsuccessful, to find language that would recognise both the right of the Irish people to determine their own future and the insistence of the Ulster Unionists that nothing should be done to undercut Northern Ireland's place in the United Kingdom.

Mr Reynolds repeated his pledge that the Republic accepted that the consent of the Unionist majority was essential to any change in the constitutional status of the province. But he confirmed that he wanted referendums in both the north and south of Ireland to endorse any agreement reached by the two governments.

Mr Major will now seek to reassure unionist leaders that he has not agreed anything to undermine Ulster's place in the UK. But Mr Reynolds appeared determined to maintain the pressure on Mr Major to agree language that would give the IRA an excuse to call a permanent end to violence. The Irish leader believes such a cessation could transform the atmosphere in both north and south and pave the way for a durable political settlement.

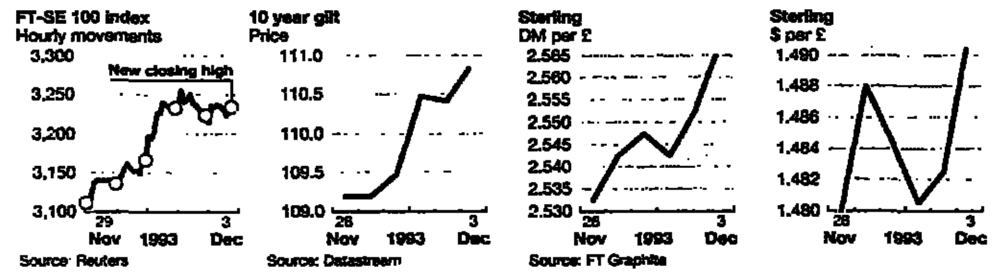


Volvo hopes to keep Renault link

Volvo yesterday sought to limit the damage to its relations with Renault after ending plans to merge with the French vehicle manufacturer.

Chief executive Sören Gyll (above), who led the management revolt that halted the merger, said Volvo would seek to maintain its alliance with Renault. "We must ensure that the common projects continue to be developed," he said. Page 24; The curse of Gyllenhammar, Page 9 Photo: Trevor Humphries

Winter warmer: Clarke's Budget cheers the markets



Source: Reuters | Source: Datastream | Source: FT Graphite

Sterling and UK shares rise on hopes of interest rate cut

By Peter Marsh, Economics Correspondent

London shares, sterling and gilts all rose again yesterday on hopes that the UK government would cut interest rates soon.

Investors took the view that even with the tax rises and spending cuts unveiled on Tuesday in the Budget, UK growth next year was likely to be higher than some parts of Europe which *are struggling from recession.*

The firm trends were helped by strong rises in equity markets in the rest of Europe, cuts in interest rates in France and Spain and indications that the Bundesbank was preparing for further easing in monetary policy.

Continuing the favourable reaction to the Budget, the FT-SE 100 index gained 10.3 to close at a record 3,234.2, showing a 123-point gain on the week.

Even though Mr Kenneth Clarke, the chancellor, will come under pressure in the next few weeks to allow a cut in banks' base interest rates from 5.5 per cent, the pound performed well against other currencies because of the expectation of relatively high UK economic growth.

Sterling climbed 1¼ pfennigs to close at DM2.65, a gain of more than 3 pfennigs on the week. Against the dollar, it put on nearly 1 cent yesterday to finish at $1.4905. Prices of long-dated gilts rose ¾ point, for a 3-point gain on the week. Behind this was the view that inflationary forces would remain weak and the lower government borrowing requirement would reduce the need for bond sales.

Investor sentiment on the continent was boosted by the Bundesbank's decision on Thursday to cut its "repo" rate, which determines money market interest rates, to 6 per cent from 6.25 per cent for the first two weeks. That triggered yesterday's cut of ¼ percentage point in the French *intervention rate to 6.2 per cent* and a cut in a key Spanish money market rate to 9 per cent from 9.25 per cent.

Gilts, Page 12; Currencies, Page 13; London shares, Page 15; World shares, Page 21; Lex, Page 24

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هكذا من الأصل

UK boost for IMF loans to poor

By Peter Norman, Economics Editor

Britain said yesterday it would contribute £50m to the next phase of the Enhanced Structural Adjustment Facility (ESAF) through which the International Monetary Fund provides concessionary lending to the poorest developing countries.

The money, which will come from the Overseas Development Administration budget, will go towards a subsidy account which enables the countries that borrow from the facility to pay interest of only 0.5 per cent to the IMF.

The British contribution is expected to give a boost to negotiations in Washington on a successor facility to replace the original ESAF. The £50m will provide an estimated 3 to 4 per cent of the cash needed for interest subsidies in the new account. Taking the old and the new facilities together, Britain will provide about one ninth of the funds to subsidise interest payments.

In September, Mr Kenneth Clarke, the UK chancellor, cast doubt on Britain's ability to provide funds for the new ESAF because of tight budget constraints. However, the ODA was able to provide the cash by using aid funds earmarked for spending through the EC in 1991-92 but unused.

Canada cancels airport sale

Canada's newly-elected Liberal government has cancelled a C$700m contract to privatise Toronto's international airport, the country's busiest, writes Bernard Simon in Toronto.

The deal, which involved a long-term lease over two of the airport's three terminals, was signed with a property development and construction consortium in the last days of the previous Progressive Conservative government.

But the contract has been strongly criticised on both commercial and political grounds.

Frustration grows on brink of Gatt deal

By David Dodwell, World Trade Editor, in Geneva

Top international trade negotiators in Geneva yesterday voiced concern over delays by the US and European Union in settling long-standing disagreements on opening their markets to farm and manufactured goods.

There was also frustration among developing country negotiators over poor offers to open markets to their exports. Negotiators from the 116 countries in the Uruguay Round welcomed signals from the US and the EU that talks in Brussels this week have brought the two to the brink of agreement on a bilateral market access deal. But several warned that a failure to finalise the deal by Monday "would be very serious for the round".

Next week is the last full week of negotiation if the deadline of December 15 is to be met. Leaders elsewhere were encouraged by the week's developments. President François Mitterrand of France said during a visit to Switzerland that indications for the US-EU talks were "optimistic".

In Germany, which has worked hard to broker disagreements between the US and France, Mr Klaus Kinkel, the foreign minister, said he was "cautiously optimistic for the first time" over prospects for a successful Uruguay Round outcome.

In Copenhagen, Mr Henning Christopherson, EU finance commissioner, said the Commission expected to meet on Monday evening to study a draft US-EU deal. Meanwhile, most Gatt negotiators remained in the dark on details of the prospective US-EU deal, which is expected to be unveiled after further meetings in Brussels on Monday between Mr Mickey Kantor, the US trade representative, and Sir Leon Brittan, his EU counterpart.

Both trade negotiators adjourned on Thursday after 30 hours of almost continuous negotiation, Mr Kantor for consultations in Washington with President Bill Clinton, and Sir Leon to meet EU ministers. After a four-hour Gatt discussion on the impact of the round on developing countries, Mr Balkrishan Zutshi, India's veteran Gatt ambassador, reflected concerns of many developing countries when he complained of "a deep imbalance in the exchange of concessions in areas of interest to developing countries."

He was particularly concerned about improved market-opening offers for textiles and clothing, and farm products – key disputed sectors in the US-EU negotiations. He hoped the coming days would bring "some rectification".

Breakthrough offers the prospect of $230bn bonus

By Frances Williams in Geneva

Lower trade barriers resulting from the Uruguay Round of Gatt talks in Geneva would spur an extra $745bn a year in world trade in goods by 2005, a 12 per cent increase, and raise world income by at least $230bn, according to economists at the General Agreement on Tariffs and Trade.

This income gain, which is close to other recent estimates by the OECD and World Bank, would be broadly spread among the 116 nations taking part in the round.

Gatt's calculations, in a report prepared for yesterday's evaluation of the results of the round, relate only to cuts in tariff and non-tariff barriers for goods. They "substantially underestimate" the likely full effects of the round, the study maintains, because they ignore the stimulus to world trade in services, the benefits from strengthened trade rules generally and the dynamic gains from improved business confidence and hence increased investment and growth.

The report shows that even without the mooted tariff-cutting deal between the US and EU due to be unveiled on Monday the market-opening package for goods is already sizeable. Developed countries have offered to cut import tariffs for industrial goods by 38 per cent on a trade-weighted basis. For farm products the average reduction (after converting all trade barriers to tariff equivalents) is 36 per cent.

The proportion of industrial goods imports entering developed countries duty-free would more than double from 20 to 43 per cent, and rise from 22 to 45 per cent for goods from the Third World.

The Gatt report also spells out in detail the prospective gains for the 88 developing countries taking part in the Uruguay Round. It notes that rich nations are extending lower tariff cuts on products of special interest to poorer countries, giving an overall tariff cut on industrial goods of 32 per cent for Third World exporters (other than the least developed) and just 19 per cent for the very poorest.

This largely reflects below-average cuts in tariffs on textiles and clothing and on fish and fish products. Textiles and clothing is the most important single export category for developing countries accounting for 22 per cent of exports.

However, Gatt points out that textile exporters will benefit from the proposed phase-out of the restrictive Multi-Fibre Arrangement governing their exports to the west. Importers are offering to cut high textiles tariffs, now averaging 15 per cent, by 20 per cent.

Tariffs on tropical products, an important earner for many poor countries, are being reduced by 42 per cent.

Russia and former allies take different paths

Central Europeans resent Nato snub

By David White, Defence Correspondent, in Brussels

Ministers from 16 Nato countries and 22 former Soviet bloc nations meet in Brussels yesterday Associated Press

Frustration among central European countries over Nato's approach to enlargement surfaced at a meeting of the 38-member North Atlantic Co-operation Council in Brussels yesterday.

Mr Andrzej Olechowsky, the Polish foreign minister, sought to link Nato proposals for military co-operation to a progressive expansion of the alliance.

Poland, Hungary and the Czech Republic said the "partnership for peace" agreements proposed by Nato would not be an acceptable substitute for membership.

They also sought to broaden the scope of the agreement beyond peacekeeping missions to cover full co-operation in areas such as military doctrine and planning.

Nato envisages that the agreements, to be formally proposed at a summit next month, would be applicable to all former Warsaw Pact countries and some other European nations, but they would lead to differing degrees of co-operation, in some cases as a prelude to membership.

The central European countries are anxious that their membership prospects are not held back by problems with other countries, including Russia. Divergences between them and Moscow emerged over Russian proposals for the future of the NACC, which serves as a forum for Nato to talk to its former Warsaw Pact adversaries.

Mr Andrei Kozyrev, Russian foreign minister, proposed making the NACC into an institution separate from Nato, acting as a defence arm for the Conference on Security and Co-operation in Europe.

Aspiring Nato members, to the contrary, want to strengthen the NACC's ties with the alliance.

Ministers yesterday agreed to extend NACC discussions to the topics of air defence and arms procurement. However, Polish officials complained that the scope of its work was still too restricted.

The US and its allies meanwhile failed to make apparent progress on the elimination of nuclear weapons on Ukrainian territory. But Mr Anatoly Zlenko, Ukraine's foreign minister, raised the prospect of tripartite talks between the US, Ukraine and Russia.

Kohl shrugs off talk of collapse

By Quentin Peel in Bonn

Chancellor Helmut Kohl last night rejected rumours of the imminent collapse of his coalition in Bonn, denied that he wanted to become the next German president, and insisted he would fight next year's general elections.

Galvanised by signs of revolt from within his own Christian Democratic Union (CDU), and reports of rebellion from his coalition partners, the Free Democratic Party (FDP), Mr Kohl turned on his critics in a hastily arranged television interview.

"This coalition will survive," he declared. "It will do its job, and produce an impressive record."

He drily dismissed his long-standing rival in the CDU, Mr Kurt Biedenkopf, the premier of the eastern state of Saxony, who had forecast a victory for the opposition Social Democrats (SPD) in the general election.

"Even Professor Biedenkopf cannot predict the outcome," he said, although "he expresses himself very cleverly." As for Mr Jürgen Möllemann, the former economics minister, and alleged architect of an FDP revolt, he was simply "peeved" because he was no longer a member of the government, Mr Kohl said.

His interview – a clear indication of how seriously Mr Kohl is taking the rumours of rebellion – came as the latest unemployment figures showed a new record jobless total in west Germany in November of more than 2.4m, an increase of almost 28 per cent over the past year.

At the same time, industrial order figures showed continuing stagnation in the economy, in spite of a more optimistic assessment of growth next year by the Economics Ministry.

Mr Kohl admitted in his interview with SAT-1, the private television channel, that the coalition was going through a turbulent patch, and that the embarrassing withdrawal of Mr Steffen Heitmann, his hand-picked candidate to be the next German president, had damaged him politically.

He denied rumours, however, that he was considering standing for the presidency, saying he did not need any "follow-on job", and had no intention of quitting as chancellor.

He rejected calls for a round table of government, opposition, employers and trade unions to resolve the economic crisis, just repeated by Mr Helmut Schmidt, his predecessor as chancellor, as well as Mr Rudolf Scharping, leader of the SPD.

There are no signs, however, that the economic and political crisis which has severely dented the government's popularity is set to abate.

On the economic front, the latest unemployment figures show a jobless rate of 7.8 per cent in west Germany, 1.6 percentage points higher than in November 1992, and virtual stagnation in east Germany, with an unemployment rate of 15.1 per cent.

Orders in west German manufacturing industry, which showed a recovery in September, were down again by 0.5 per cent in October, according to the Economics Ministry, in spite of a 4.5 per cent increase in orders from abroad.

The ministry remains rather more optimistic on the prospects for 1994 than the government's independent economic advisers, the so-called five wise men, who expect zero growth.

Mr Johann Eekhoff, the state secretary for economics, told the finance planning committee on Thursday that he expected an average growth rate of 0.5 to 1.0 per cent next year.

Spanish cabinet agrees labour market reforms

By Tom Burns in Madrid

The Spanish cabinet yesterday approved controversial legislation that seeks to create employment by promoting apprenticeship schemes and to stimulate industrial investment by removing labour market rigidities.

The initiative received a boost from the Bank of Spain which cut its benchmark lending rate by 0.25 per cent to 9 per cent, but it has prompted strong hostility from trade union leaders who are planning a general strike against the measures next month. It drew only a lukewarm reception from employer representatives who say the reform does not go far enough.

Hailed by the government as a breakthrough in its attempt to restore Spain's competitiveness, the legislation comes at the end of a fruitless three-month attempt to establish a consensus between employers and unions over labour market reforms.

Yesterday's decision allows companies, from Monday, to hire unqualified under-25-year-olds as apprentices for up to three years. These new employees will earn 70 per cent of the minimum wage during their first working year and incur minimal social security costs to the employers. The cabinet, under the same decree law, also removed legal impediments to part-time work.

The government hopes these measures will have a major impact on unemployment which stood at 3.5m, or 23 per cent of the labour force, at the end of September according to the national statistics office. The largest group among the unemployed total is formed by first time job seekers and, under the former rulings, part-time workers were not counted as employees by the statistics office.

The unions accuse the government of introducing "junk jobs" and say that employees on fixed contracts will be replaced by low-paid apprentices and by part-time workers.

The main body of yesterday's legislation is formed by a draft bill that will go before parliament early next year and which alters fundamental guidelines on working practices and on dismissal procedures. Essentially the bill makes redundancies in Spain, which are held to be the costliest in Europe, easier and cheaper by broadening the terms of justifiable dismissals and by shortening compensation from 25 to 20 days per year worked.

The draft bill also removes existing rigid statutory rules concerning the extent of working days and holidays, overtime, job classifications and geographical mobility for company employees.

Interest rate cut boosts franc

By Alice Rawsthorn in Paris

The French franc strengthened yesterday following the announcement that the Bank of France will cut its leading interest rates by a quarter of a percentage point on Monday.

The announcement, which will reduce the Bank of France's intervention rate to 6.2 per cent and its 5-to-10 day rate to 7.25 per cent, followed the news on Thursday of a similar cut in the Bundesbank's repurchase rate.

It represents a continuation of the cautious policy pursued by the French authorities since last summer's exchange rate mechanism crisis of protecting the value of the franc by shadowing Germany on interest rates.

The French currency, which has rallied in recent weeks, was bolstered by the news to close at FFr3.437 against the D-Mark compared with FFr3.446 the previous day. This leaves the franc close to its old ERM floor of FFr3.4305.

The Paris stock market was boosted by the news. The CAC 40 Index, which has faltered recently on concern about the slow progress of interest rate reduction and fears of an impasse over the Gatt negotiations, rose by 1.29 per cent during the day to close at 2,188.4.

EU to recycle the issues at fresh talks on waste

By David Gardner in Brussels

Germany, Denmark and the Netherlands were yesterday given a fresh chance to reach a compromise on new European Union rules for dealing with packaging waste or risk having their ambitious recycling goals voted down by their partners.

Environment ministers of the 12 failed to reach agreement in 21 hours of negotiations. Now, a special council to resolve the issue has been called for December 13, and senior EU officials warned that the "green" trio will be defeated under a weighted majority voting system if they cannot come to terms with the other nine.

These nine take as their yardstick what they see as the failure of Germany's national recycling targets. These so far exceed local reprocessing capacity that Germany is exporting huge quantities of used paper, board and plastic, with a subsidy, to be handled in other member states.

Eight of Germany's partners complain their own efforts to build up recycling industries are being overwhelmed by this dumping. France has threatened an import ban, a possibility also raised by the UK House of Commons select committee on the environment.

Because of the German programme's distortion of the single market, the Belgian presidency of the EU, allied with the European Commission, has lowered the recovery and recycling targets to levels Bonn and its allies consider regressive.

But they are being offered the opportunity to stick to their more ambitious goals if they can prove they will not be distorting trans-European flows of waste for recycling.

Ministers did, however, decide on new targets to reduce car emissions by 1996, and to speed up the phasing out of ozone layer-depleting HCFCs and methyl bromide, used for soil fumigation.

Carbon monoxide emissions from new cars will have to fall a further 30 per cent in petrol engines and 68 per cent in diesel engines; hydrocarbons and nitrogen oxide emissions by 55 and 38 per cent respectively; and particle emissons from diesel engines by a further 55 per cent. Incentives will be allowed for those countries seeking to reach these targets before 1996.

HCFCs do far less damage to the ozone layer than the chlorofluorocarbons (CFCs) they are replacing in aerosols and refigerators but are now due for total phase-out by 2015.

● The UK is to ratify the Climate Change Convention, one of the key instruments from last year's Rio Earth Summit aimed at combating global warming, David Lascelles reports. Mr Tim Yeo, environment minister, said a programme to reduce emissions of carbon dioxide to 1990 levels by the year 2000 would be published early in the new year.

This week's UK budget also included measures to combat gas emissions by increasing taxes on fuel consumption, and encouraging energy efficiency.

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Prospect of Iraqi sales hits oil price

By Robert Corzine and Roger Matthews, Middle East Editor

Oil prices tumbled to new five-year lows yesterday as markets took fright at reports that Iraqi oil exports could resume earlier than expected.

The price of the benchmark Brent Blend broke through the psychological barrier of $14 a barrel, to touch a low of $13.65 a barrel. It later recovered in late London trading to $13.85, but sentiment remained bearish, according to traders.

The price slide was exacerbated by news that the main Russian Black Sea oil export terminal at Novorossiisk had reopened after being closed for three weeks by bad weather. Its closure had been one of the few factors underpinning prices. The main reason for yesterday's fall, however, was a report that Iraq had shown greater flexibility in accepting UN terms for lifting, at least partly, the embargo on oil exports.

The possibility of resumed Iraqi exports at a time of plentiful supplies and weak prices has been a factor behind the 25 per cent slide in oil prices over the past year.

One Gulf Arab official yesterday complained that none of the recent reports about the return of Iraqi exports has proved true. But "the market appears to be reacting to headlines rather than hard information," he said.

The UN Special Commission (Unscom) said last week that by accepting its weapons monitoring programme Iraq had removed the "major remaining obstacle" on weapons requirements which are linked to the oil embargo in force since Iraq's 1990 invasion of Kuwait.

But it gave no indication how long Unscom will take to finish its work, and inspectors have not precluded the possibility of turning up evidence not previously detected. The next inspection team is unlikely to visit Iraq before February and Mr Rolf Ekeus, who heads the commission, has suggested it would take at least another six months from then to complete its work.

Even then there would be powerful political opposition to lifting oil sanctions while President Saddam Hussein remains in power. President Clinton is opposed to any such move in the near future, and the US could be expected to cite other examples of Iraq's aggressive intentions to justify the retention of sanctions.

Gulf countries, such as Saudi Arabia and Kuwait, would also argue that lifting the embargo would be a reward for an unrepentant Iraq, which has recently repeated its claim to Kuwait and attempted to create tension on the border.

Members of a crack police unit on the roof of the building where Pablo Escobar was killed. Right: the drug baron's body is carried from the roof Reuter

DEATH OF ESCOBAR WILL HASTEN DRUG CHIEFS' SURRENDER

THE death of Pablo Escobar, chief of the Medellin cartel, does not mean that drug trafficking has ended in Colombia, though it marks a major step forward, President Cesar Gaviria said yesterday, Sarita Kendall writes from Bogota.

"The fight against terrorism has not finished, an enormous challenge lies ahead," he said in a television broadcast.

But Escobar's death should hasten the surrender of rival traffickers, and representatives of some of the top Cali smugglers, rivals to the Medellin cartel, have apparently been in contact with the prosecutor general's office to discuss terms.

Legislation passed recently by the Columbian Congress makes the government's surrender programme even more attractive than before, with the possibility of serving minimal sentences under house arrest.

Clinton welfare reform plan comes under fire

By George Graham in Washington

The Clinton administration is nearing completion of its welfare reform plan but already faces controversy over how to pay for the changes.

While officials believe the plan will eventually save money by encouraging people out of the welfare system and into the workplace, it will require considerable government spending to provide training, job schemes, childcare and medical coverage.

Proposals to pay for these measures by cutting other programmes have already drawn scepticism from members of Congress who feel there is little fat left to be used in the system, but the administration is nervous about any semblance of a tax increase to pay for the reforms.

President Bill Clinton said yesterday he was encouraged to believe that a bipartisan welfare reform plan could be achieved by a counter-proposal from Republicans in Congress.

"I don't agree with all of it, but there are some very good ideas in it," he said. "We are moving toward making welfare a second chance, not a way of life."

Mr Clinton's plan, like the Republican proposal, would require welfare recipients who have spent more than two years on the welfare rolls to work in return for their benefits.

But debates have been vigorous on how severely the cut-off of benefits should be applied, how the work requirement should be enforced, and how long people could remain in government-run job schemes before being abandoned altogether.

Caracas coup talk brings US warning

By Joseph Mann in Caracas

Venezuela's 1993 presidential campaign ended yesterday amid rumours of a military uprising and a warning from the Clinton administration that a coup would bring serious consequences.

The country is to vote tomorrow for a new president, the 235 members of congress and 362 state legislators.

The US, concerned at the coup rumours and a recent wave of terrorist bombings, sent its assistant secretary of state for inter-American affairs, Mr Alexander Watson, to Caracas to warn that any non-democratic government would face an economic embargo and other sanctions. Venezuela depends heavily on oil exports to the US.

The leading presidential contender is Mr Rafael Caldera, 77, who was president from 1969 to 1974.

Mr Caldera, who is running as an independent, has been a strong critic of free market reforms and privatisation.

Last year saw two failed coups and hostility to free market reforms.

Election puts lira under pressure

By Robert Graham in Rome

Nervousness in the financial markets over the outcome of Sunday's run-offs in local elections put the lira under pressure again yesterday.

The lira has been unsettled throughout the week both because of continuing political uncertainties and of doubts about the Ciampi government's ability to push the 1994 budget through parliament.

Yesterday the lira was being traded below the pyschological barrier of L1,000 to the D-Mark; but then recovered to L998.

The slight improvement was attributed to signs that the government had agreed how to tackle the 2,500 amendments tabled to the budget. This has increased the likelihood that the legislation, reducing the public sector deficit in 1994 to 8.7 percent of gross domestic product, would be approved before Christmas.

However, the likely result in Sunday's local elections remained far from clear yesterday as the campaign closed. Opinion polls suggested candidates backed by alliances sponsored by the former communist Party of the Democratic Left (PDS) would do well. But in Naples and Rome they are being closely challenged by the neo-fascist MSI.

In either event the result will provide a further big shake-up in Italy's political landscape against the backdrop of early elections next spring. The first round on November 21 saw the collapse of the vote for the long ruling Christian Democrats and their allies.

Sunday's elections cover almost 450 towns and cities and involve 11m voters, nearly a quarter of the electorate.

The focus has been on Naples and Rome where the neo-fascist MSI has run a strong campaign picking up votes from the centre parties – especially the Christian Democrats and Socialists.

● The hallowed institution of journalistic expenses has come under the microscope of magistrates in Italy.

Yesterday Rome magistrates notified 22 journalists and technicians working for the RAI, the state-run television network, that there were under investigation for alleged fraud for some L250m (£100,880).

The move follows detailed inspection of expenses claims submitted by television crews covering trouble-spot news in former Yugoslavia and Somalia. It came on the day when the new RAI management unveiled unpopular news that the traditional Christmas bonus of an extra month's pay, due in early December, would be held over until the end of January to save L40bn to pay suppliers.

The RAI is likely to lose L500bn this year and is in danger of being put into liquidation.

Poll surge by Russian extremists feared

By John Lloyd in Moscow and Chrystia Freeland in Krasnoyarsk

Reformist parties fighting Russia's parliamentary elections on December 12 are seriously concerned that a late surge by extremists will give a large share of seats to communist and neo-fascist deputies.

Mr Anatoly Sobchak, mayor of St Petersburg and the veteran democrat who now leads the Movement for Democratic Reform – one of the four reformist parties – said yesterday there was now a "very grave threat" from the communists and even more from the neo-fascist Liberal Democratic Party, led by Mr Vladimir Zhirinovsky.

Mr Sobchak, who was campaigning in Krasnoyarsk, said the communists might take 10 per cent of the seats.

He said an agreement had been reached between the four reformist parties – Russia's Choice, the Party of Unity and Consent, the "Yabloko" group and his own – to withdraw candidates where it was clear one of the four was leading. This followed a call for co-operation made by Mr Yegor Gaidar, leader of Russia's Choice.

However, it is far from clear that the democratic blocs can reach an effective agreement not to split their votes, and Mr Sobchak said the leadership of the four parties would meet early next week to attempt to impose discipline on their often independent-minded and inexperienced local organisations.

The Russian Communist Party yesterday took part in a convention of centrist and far-left and right-wing groups held to oppose the draft Russian constitution, which will be voted on in a referendum at the same time as the parliamentary elections. The communist party is consistently scoring around 8 per cent in the polls and the Liberal Democrats have surged from under 2 per cent to around the same levels.

The polls all show as much as half of the electorate still undecided, while party leaders touring the country have consistently remarked on the strength of feeling for Mr Zhirinovsky, whose populist style has gone down well on TV.

A spokesman for the "Yabloko" group said last night that the four-party agreement was only at regional level and no decision had been taken to agree a share-out of constituencies at national leadership level.

Mr Arkady Murashov, one of the leaders of Russia's Choice, confirmed that the four parties would meet next week.

Russia's Choice, the main reformist group, has been riven in the last few days with dissension between its leading members.

India urged to safeguard local industry

By Stefan Wagstyl in New Delhi

Indian industrialists yesterday urged the government to safeguard the interests of domestic companies when opening up the economy to foreign investors.

Import duties should be cut "gradually" to protect domestic industry and special temporary duties should be introduced to insulate Indian companies from violent swings in international prices, says the Federation of Indian Chambers of Commerce and Industry, a national employers' organisation, in a formal pre-budget report to the government.

The federation says Indian groups should not be obliged to compete at a disadvantage to foreign groups and need a "level playing-ground".

The federation's call echoes the fears expressed by an informal group of conservative industrialists called the Bombay Club, who have already conveyed their worries to the government.

The industrialists' concerns have surfaced at a time when multinational groups have started making high-profile investments in India in the wake of the government's economic reforms. The purchase by Coca Cola, the US soft drinks group, of Parle, India's leading cola maker, prompted suggestions from some critics that Indian industry faces a mass takeover.

The federation's report carries proposals for changes in tax, trade and financial regulations which Indian companies feel discriminate against domestic groups.

In its most controversial, protectionist-sounding suggestion, the report demands planned cuts in import duties should continue but should be "gradual keeping in view the interests of the indigenous industries." It also wants duties to be lowest on raw materials and highest on finished goods to give "the requisite support to the domestic industry."

The federation calls for stronger anti-dumping measures and a new "regulatory duty" which would be imposed for limited periods on imports when international prices fell sharply to allow Indian industry to adjust.

The report says corporate tax rates in India, which range between 51.75 per cent and 57.5 per cent, are higher than rates in other countries. Foreign financial institutions investing in India enjoy special low rates of capital gains tax of 10 per cent on long-term gains (against 40 per cent for domestic companies) and of 25-30 per cent on short-term gains (compared with 51.75 per cent.)

The federation says interest rates should be cut from the current range of 17-22 per cent to 10 per cent, nearer international levels. It wants an end to restrictions on inter-company loans and investments and on the use of shares as security for loans.

The report said: "Unless the reform measures are properly sequenced and a level playing-ground is provided to the domestic industry, the national economy will face serious adverse impact."

● Exports in October grew 15.2 per cent to $1.7bn, extending a surge which started at the beginning of the financial year in April, according to figures published yesterday. But the pace of growth has fallen from an average of 21 per cent in the six months to September. Imports remained flat due to continued stagnation in Indian industry.

In peace as in war Israel outplays the Arabs

As Arafat's supporters lose confidence, Rabin has the upper hand, writes Roger Matthews

Middle East peace talks at an impasse, violence in the occupied territories, Jewish settlers on the rampage, and Mr Warren Christopher, the US secretary of state, damping hopes for his visit to the region which began last night. It all strikes a depressingly familiar note, coming so soon after the euphoria created by Israel and the Palestine Liberation Organisation when they signed their declaration of principles in Washington on September 13.

But although the danger is growing that the two sides will fail to meet their first deadline, a week on Monday, for implementing the initial stage of the outline peace accord, the appearances are probably worse than the reality.

By December 13, Israel and the PLO are supposed to have agreed a range of issues which would permit the start of an Israeli troop withdrawal from much of the Gaza Strip and an area around the West Bank town of Jericho. "It is a sacred date. They must respect it, or the whole peace process will be affected," Mr Yassir Arafat, the PLO chairman, said in Copenhagen this week. From his headquarters in Tunis came the warning that negotiations over the extent of the Israel withdrawal had reached an impasse, and US help was needed to rescue the process.

Mr Yitzhak Rabin, Israel's prime minister, appears less concerned, probably because he understands Mr Arafat's negotiating techniques and realises how little room the PLO leader has for manoeuvre. In London on Thursday, Mr Rabin said he would like to meet the deadline, but preferred to let it slip by a few weeks if that meant they would achieve a precisely defined deal. Israel, he said, would stick by its commitment to complete the first stage of withdrawal by the next target date of April 13.

Time, however, has always been a luxury for peacemakers in the Middle East. Fifteen Israelis and 31 Palestinians have died violently since Mr Rabin and Mr Arafat shook hands on the south lawn of the White House, and many more have been wounded. Opponents of the agreement will be encouraged by the latest difficulties, and suspicions among Palestinians in the territories about Israel's true intentions are bound to increase if the troop withdrawal does not begin on schedule.

The danger was clear from the outset. Mr Arafat and Mr Rabin both gambled on being able to carry with them the biggest part of their domestic constituencies. The Israeli leader's calculations were the more finely honed. He wrong-footed his right-wing opponents, achieved swift parliamentary endorsement for his actions, and retains public credibility for his determination to stand firm on security issues. Even so, the latest poll in Israel shows support for the peace process down to 43 per cent, a fall of over 20 per cent since September, and opposition rising at 47 per cent.

Jewish settlers went on a shooting spree yesterday in the occupied West Bank town of Hebron, firing indiscriminately at people, cars and houses, Reuter reports from Hebron.

Hospitals and witnesses said at least three Arabs were shot and wounded by settlers or soldiers in stone-throwing clashes. One, shot in the head, was in a serious condition.

It was the second straight day of riots in the town. The attacks started after Palestinians stoned a settler's car.

Mr Arafat was meanwhile busy embellishing his already well-practised impersonation of Houdini by not only escaping from the consultative chains with which fellow Palestinians sought to bind him, but also simultaneously ignoring the agreement with the Syrians, Jordanians and Lebanese that no one Arab partner would do a separate deal with the Israelis.

For several months before September 13, Palestinian discontent with Mr Arafat had been approaching a crescendo, not least among those representing the PLO at the Washington negotiations. Resignations were in the air and the accusations were myriad. Mr Arafat was said, not for the first time, to be alternately autocratic and indecisive, and unwilling to consult with any but his closest colleagues. He stood accused of bringing the PLO to the verge of financial ruin, and of coming close to wrecking the entire organisation. Those accusations are still rife today.

But just as his leadership looked to be tottering, he made his dramatic deal with Israel, appeared in Washington, was praised by President Clinton, welcomed on Capitol Hill, and promised Palestinians a future state with Arab east Jerusalem as its eternal capital. It was gripping theatre, but the plot had only a beginning, followed by an ill-defined series of subsequent acts, and an ending on which the authors, not to mention the other actors, profoundly disagreed.

Getting from the starting point to the conclusion of an interim five-year period of Palestinian self-rule, during which the final status of the territories would be agreed, was always going to be a Herculean task. Mr Yossi Beilin, Israel's deputy foreign minister and a central figure in the process, speculated last month that it might have been easier to have started with an agreement on how the drama would end, and then work backwards to the White House lawn.

There is weight to his argument, more so from the Palestinian perspective. Rifts within the wider Palestinian community have been widened by the long wait for tangible results of the peace accord to be seen in the territories, and by the still uncertain conclusion of the process.

While the peripatetic Mr Arafat continues to be feted in world capitals (yesterday it was Gabon), the skilled negotiators needed to do the difficult, detailed work have tended to be ill-prepared and poorly briefed. The assumption of PLO headquarters in Tunis that it knows best is causing increasing resentment among those in the territories whose leadership role grew during the five-year uprising against Israeli occupation.

Those concerns have been exacerbated by fears Israel is seeking to dominate the economic future of the Palestinians. In the short term there is resentment at Israel's efforts to play a key role in the disbursement of the $2bn in aid pledged by the international community towards rebuilding the infrastructure of the occupied territories, and in the longer term by its statements on the inevitability of a dependent Palestinian role.

Palestinian commentators, an increasing number of whom have turned against Mr Arafat, delight in mocking his dilemma. "Can a warrior negotiate as he surrenders?" wrote one this week, suggesting that Mr Arafat can only meet the December 13 deadline by giving way to Israeli demands. Mr Rabin has to decide in the next few days how much of a lifeline, if any, he needs to throw Mr Arafat to prevent a further erosion of Palestinian and, ultimately, Israeli support for their joint initiative.

A South Korean opposition party MP clamps his hand over the mouth of ruling party member Mr Kim Woon-huan in scuffles at Seoul's national assembly as the ruling party attempted to railroad next year's budget through the parliament *Reuter*

Japan sees end to growth in trade surplus

By William Dawkins in Tokyo

Growth in Japan's politically controversial current account surplus is near an end, the finance ministry said yesterday.

Annual growth in the surplus slowed to 1.4 per cent in October to $11.25bn, after a 10.2 per cent rise the previous month, the ministry announced. That represented a 6.9 per cent decline from September's $13.3bn surplus.

Exports were stagnant or slightly down – depending on the sector – while imports rose. "It appears that the yen-based surplus is now in a shrinking trend and the dollar-based surplus is likely to hit a ceiling," said an official.

Overall, exports rose slightly from $30.1bn from October 1992 to $30.32bn in the same month this year, while imports increased more strongly from $17.16bn to $17.89bn.

This could help to reduce the yen's value, given the depth of Japan's recession, so easing the pressure on the country's exporters, said economists.

That would be welcome news for prime minister Morihiro Hosokawa as his government works overtime to put together another economic stimulus package.

Coalition members are aiming to finalise details of such a package by early next week. However, Mr Hirohisa Fujii, the finance minister, yesterday cast uncertainty over the timing by saying that the government must first pass a supplementary budget, to fund the previous package.

A senior official of the government's Economic Planning Agency yesterday admitted that the economy could shrink this year. Mr Tsutomu Tanaka, the agency's vice minister, expected something between a slight decline and 1 per cent growth in gross national product.

Malawi troops attack military wing of party

By Nicholas Young in Lilongwe

The Malawian army yesterday stormed the national headquarters and district offices of the Malawi Young Pioneers, the paramilitary wing of the ruling Malawi Congress Party.

The national offices of the Congress Party were also strafed with gunfire, ransacked and looted by army personnel.

Thousands of civilians took to the streets of the capital cheering the army and shouting: "No more Banda, no more Tembo, no more Chakuamba" – a reference to former "president for life" Dr Hastings Kamuzu Banda and two members of a presidential council that has shared executive power since Dr Banda's collapse with a stroke in October.

Casualties appeared relatively light in view of the scale of the operation. The central Lilongwe hospital said 21 people had been admitted with serious injuries by early afternoon, and there were two confirmed deaths. But Red Cross workers said they had yet to remove dead and injured from Youth House and other Pioneer bases.

A National Consultative Council, charged with overseeing Malawi's transition to democracy following a referendum in June in which Malawians voted to switch to a multi-party system of politics, and comprising opposition and government representatives, called two months ago for the disarming of the 2,000-strong Pioneers.

Opposition members of the Council have since accused the government of dragging its feet over the issue.

The government has pleaded the need to integrate the Pioneers into the national security forces. Tensions between the Pioneers, police, and the politically neutral army have been long-standing.

It is unclear from how far up the army hierarchy the orders to attack originated.

The operation began when a unit of 200 soldiers assaulted Youth House, the Lilongwe headquarters of the Pioneers. Armed Pioneers initially returned fire but resistance collapsed within minutes. Two army helicopters circled low overhead, apparently in support of the attack.

Gunfire had died down in the city by late afternoon, although civilian looting of commercial and government premises had begun.

At the national headquarters of the Malawi Congress Party, soldiers were systematically removing anything of value.

N Korea nuclear deadline extended

South Korea's foreign minister said yesterday North Korea would be given more time to solve its dispute over nuclear inspections, even if the International Atomic Energy Agency (IAEA) declares that Pyongyang is in violation of nuclear safeguards, writes John Burton in Seoul.

The US and South Korea have previously stated that the North Korean nuclear issue would be transferred to the United Nations Security Council once the IAEA declared that the continuity of its inspections of the North's nuclear facilities had been broken. The UN would then consider imposing economic sanctions on Pyongyang.

Mr Hans Blix, the IAEA director general, said on Thursday that the continuity of the inspection regime was close to being broken. He is expected to deliver a report on North Korean nuclear issue to the Security Council next week.

Mr Han Sung-joo, the South Korean foreign minister, said the timing of the UN involvement depended not only on technical factors, such as an IAEA declaration that its safeguards on North Korean are broken, but also on diplomatic developments.

North Korea is now blocking routine IAEA inspections of its nuclear facilities at Yongbyon.

Former Sumitomo bank chief dies

By Emiko Terazono in Tokyo

Mr Ichiro Isoda, former chairman of Sumitomo Bank who was forced to resign following an illegal loan scandal and his involvement with stock and property speculators, died yesterday. He was 80.

Better known as the "Emperor" of Sumitomo, he fell from grace in 1990 after six years as president and seven years as chairman. He was personally responsible for Sumitomo's emergence as Japan's top profit making bank in the late 1980s, aggressively expanding operations using cheap credit. However, Mr Isoda was also widely believed to be the force behind the bank's involvement with real estate and stock speculators. Sumitomo made large loans to Itoman, a trading company turned property developer and art collector, which was linked to underworld figures.

Mr Isoda took Itoman under his wing after a financial rescue in the 1970s and sent in employees as presidents and board members. Itoman faced near bankruptcy due to mounting bad loans and was taken over by a Sumitomo group company earlier this year.

An arrest of a former Sumitomo manager on alleged illegal loans to Mitsuhiro Kotani, a prominent stock speculator, was the trigger for his resignation, bringing a sad end to Mr Isoda's otherwise distinguished career. Mr Isoda first came to prominence in the 1970s by arranging the rescue of Ataka, a troubled trading house, and then persuading Ford Motor of the US to participate in the refinancing of Mazda Motor which faced financial difficulties.

Mr Isoda later oversaw the rehabilitation of Daishowa Paper and Asahi Breweries, both heavily indebted groups.

Under Mr Isoda, Sumitomo aggressively expanded overseas.

The bank invested $500m in a non-voting stake in Goldman Sachs, the US securities company. The deal failed to bring in benefits the bank had originally hoped, as the US Federal Reserve banned the bank from building direct business links with Goldman.

SA proposals focus on growth

By Patti Waldmeir in Johannesburg

A think-tank linked to the African National Congress yesterday published proposals to revive the South African economy which stress the central role of the state, rather than the private sector, in triggering growth from now until the end of the century.

Introducing the proposals from the Macroeconomic Research Group, Mr Trevor Manuel, head of the ANC economics department, said they did not represent ANC policy. However, ANC economists were involved in drawing them up, and they could have a significant influence over policy formulation. One ANC official said that some of the proposals were "too conservative" though he gave no details.

The research group, which includes members of the radical trade union movement, Cosatu, as well as members of the ANC and academics from local and foreign universities, drew up an economic model in which the role of the state is central – in direct contradiction to the government's economic model, which focuses on private sector investment to revive growth.

"To achieve the goals of economic growth and redistribution, the state ... must play a strong and active role in leading development," the group said. Growth would rise from 1.1 per cent in 1994 to nearly 5 per cent annually within the first years of the next century, it said. This year's growth is expected to total 1 per cent.

The model focuses on job creation, as well as improving access to and quality of health, housing, and electricity. It calls for a minimum wage to be set, but rules out any early recourse to a wealth tax, a controversial proposal favoured by some ANC economists.

It proposes that state spending on social needs such as housing, education, health and job creation should, using 1985 currency values as a benchmark, nearly double from R14bn (£2.81bn) in 1992 to R26bn (£5.3bn) in 2004.

The think-tank stressed the need to maintain macro-economic balance, arguing for prudent fiscal, monetary and balance of payments goals. It said a post-apartheid government should resist raising personal and corporate tax rates, but the tax system should be restructured, and should include a multiple-rate indirect value added tax favouring the poor.

Nigeria accused over $64m payment

Ex-minister claims oil storage plan was unnecessary, writes Michael Holman

The state-owned Nigerian National Petroleum Corporation paid out $64m for an unnecessary oil storage facility it commissioned and subsequently cancelled, according to Chief Philip Asiodu, the country's former oil minister.

The scheme was "a scandal of major proportions", Chief Asiodu said in an interview in London, in which he quoted extensively from copies of minutes and documents exchanged with NNPC and other officials.

In August a confidential government report expressed concern about "leakages" in the accounts of NNPC. Nigeria exports about 1.5m barrels of oil a day.

Chief Asiodu, a respected former permanent secretary in the oil ministry in the 1970s who became a leading Lagos-based businessman, was appointed oil minister at the beginning of January. He declined a further term in office in August, when the country's interim cabinet was reshuffled and military rule extended.

In December 1992, shortly before Chief Asiodu took office, the government approved a proposal to hire oil tankers which would be anchored off Lagos and hold up to 1m tons of petroleum products as a strategic reserve.

In a series of minutes to NNPC officials and to President Ibrahim Babangida, who stepped down as Nigeria's military leader in August, Mr Asiodu called for the cancellation of the scheme which, had it been followed through, would have cost nearly $300m.

Chief Asiodu told NNPC officials that they had used "bogus economics" and argued that even if the project were to go ahead, it need not cost more than $45m.

But he strongly recommended its cancellation, pointing out that it would not resolve Nigeria's fuel shortages.

These, he said, were caused by internal distribution problems rather than supply shortages.

In a minute dated May 21 and sent to Gen Babangida, Mr Asiodu wrote: "The matter raises. . . serious doubts about rationality, integrity and honesty in the conduct of NNPC management."

Mr Asiodu sent a further detailed criticism of the project to the president, who in a minute dated June 10 agreed that it should be cancelled.

On July 30, a senior NNPC official said that, although the contract had been terminated on July 9, NNPC was contractually committed to payments totalling $64m to the charter company providing the tankers and handling the project.

This included charter charges of $25m for the period December 23, 1992 to July 9, 1993, "damages" amounting to $33m and further obligations of $6m.

On August 9, Chief Asiodu told NNPC officials that the legality of the contract was questionable, and warned: "Please make it clear to all concerned that the top management of NNPC are dealing with a scandal of major proportions in this matter."

Further correspondence exchanged between NNPC and Mr Asiodu suggests that company officials ignored his directives, and had already authorised payments totalling $16.5m to the contractors in January and February 1993.

Mr Asiodu left office on August 26.

In the interview in London Mr Asiodu also rejected criticism of decisions he had taken while minister on oil lifting contracts and the award of exploration licences.

In both areas he was dealing with a backlog of claims and applications inherited from his predecessor, said Mr Asiodu.

"If I had any skeletons to hide in the ministry, I would have chosen to remain there," he said.

World Bank halts Congo toxic dump

The World Bank took action last month to prevent construction of a foreign toxic waste dump in the Congo in an unusual move that may be a harbinger of a more active role by the group protecting the environment, Reuter reports from Washington.

Bank environmental director Mohammed El-Ashry told reporters yesterday that the lending organisation wrote to the president of the Congo to alert him to "credible reports" that a Belgian company planned to build a toxic waste dump in the country.

He denied that the Bank was seeking to be a global "cop" policing the world environment. El-Ashry, a former environmental activist, said that he was ready to repeat the exercise with other countries if the Bank received similar information.

Sihanouk withdraws offer to Khmer Rouge

King Norodom Sihanouk has withdrawn an offer to give cabinet posts to the Khmer Rouge in return for a ceasefire. His decision abruptly ended hopes that the offer could lead to peace talks between the radical faction and the government. Iain Simpson writes from Phnom Penh.

It also means that renewed fighting in the central province of Kompong Thom is likely to spread to other areas. In the past week, Khmer Rouge troops have attacked government positions and villages in the province, retaking positions which the government captured last year. Reports from other provinces in the west indicate that both sides are preparing for offensives – a dry season pattern likely to be repeated this year.

Earlier in the week, King Sihanouk held talks in China with the nominal leader of the Khmer Rouge, Khieu Samphan. The king is in hospital in Beijing, receiving treatment for cancer. They discussed the king's proposal to give the Khmer Rouge senior government positions in return for agreeing to a ceasefire, giving up its army and handing over the territory it controls.

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NEWS: UK

Prison officer protest on rights to be blocked

By Alan Pike,
Social Affairs Correspondent

Legislation clarifying prison officers' trade union rights and preventing them from taking strike action is to be introduced by the government in the current parliamentary session.

Last month Mr Michael Howard, home secretary, won a High Court injunction against the Prison Officers' Association establishing that, since prison officers had the status of constable, they could not withdraw their labour. The union plans to contest in court the loss of the right to strike. It appears that, even if it won, the victory would be short-lived because the proposed legislation would overturn it.

Mr Howard said yesterday: "I intend to introduce legislation this session which, while maintaining the position that it is unlawful for them to call industrial action, also extends normal trade union status to organisations representing staff who currently have the powers of a constable."

This would give the POA and its members access to industrial tribunals, pay bargaining procedures and other trade union activities.

The government further strengthened its legal grip on the POA yesterday with a separate injunction against officers at Preston prison who had refused to accept new admissions.

Mr John Bartell, POA chairman, told a special delegate conference earlier this week that constables had a duty to prevent breaches of the peace, and said officers would be within their rights to refuse admissions if they believed disruption or disturbances were likely.

Officers at Preston turned prisoners away on Thursday but Mr Howard yesterday obtained an injunction against six POA representatives who, the Prison Service said, had contravened the instructions of their governor.

Similar action had been proposed by officers at Hull prison on Monday.

● Mr Howard yesterday issued the first set of key objectives for police forces. The police bill in the present parliamentary session provides for the annual setting of key objectives to measure and enhance police performance, and the 1994-95 exercise will be a trial run before the bill becomes law.

The objectives will require forces to seek to increase detection rates for violent crime and household burglaries, to provide high visibility policing, to respond promptly to emergency calls, and to target and prevent particular local problem crimes in partnership with other agencies and the public.

Success will be measured by a series of performance indicators including the number of crimes detected per 100 officers, public satisfaction with levels of foot and mobile patrols and the percentage of responses to incidents achieved within target times.

■ Go-between explains republican 'pique' ■ Differences remain in peace talks

Document war lifts Sinn Féin image

If Sinn Féin had claimed three weeks ago that it had been briefed on sensitive cabinet discussions and last year's failed three-stranded talks by a British government representative, the suggestion would have been widely ridiculed.

But when the allegation was made by senior figures in the IRA's political wing on Thursday it had enough credibility to be carried prominently by the British and Irish press – and to exacerbate tension between the two governments on the eve of yesterday's meeting between Mr John Major and Mr Albert Reynolds, the British and Irish prime ministers.

One Irish minister – Mr Noel Dempsey – even suggested that the allegation would influence the agenda of the meeting as London would need to clear the air before substantive issues were discussed.

"The initial difficulty will be the revelations and allegations that have been made," said Mr Dempsey, speaking with the full approval of the Irish government. "They have to be got out of the way... before substantial negotiations can continue."

Sinn Féin's enhanced credibility is the direct result of its successes in the "document war" that it has been waging with London. Time and time again the British government's version of events has been shown up as less accurate than the Republican version. Put bluntly, London is on the defensive.

This was underlined yesterday when officials would not be drawn on Sinn Féin's latest claims.

Since admitting at the start of this week that it had been in prolonged contact with Republican leaders, in spite of previous denials, the British government has also had to own up to errors in the record it published of the messages the two sides exchanged.

By conceding a total of 11 mistakes in one key paper the government has accepted that Sinn Féin's version of the document was accurate in virtually every detail.

Sinn Féin's propaganda coup is all the more noteworthy since its own record of reliability is not untarnished. For example, it has now belatedly made clear that its 11-paragraph response to the British conditions was not passed on until July – as the government stated – rather than April as was implied by documents Sinn Féin released on Monday.

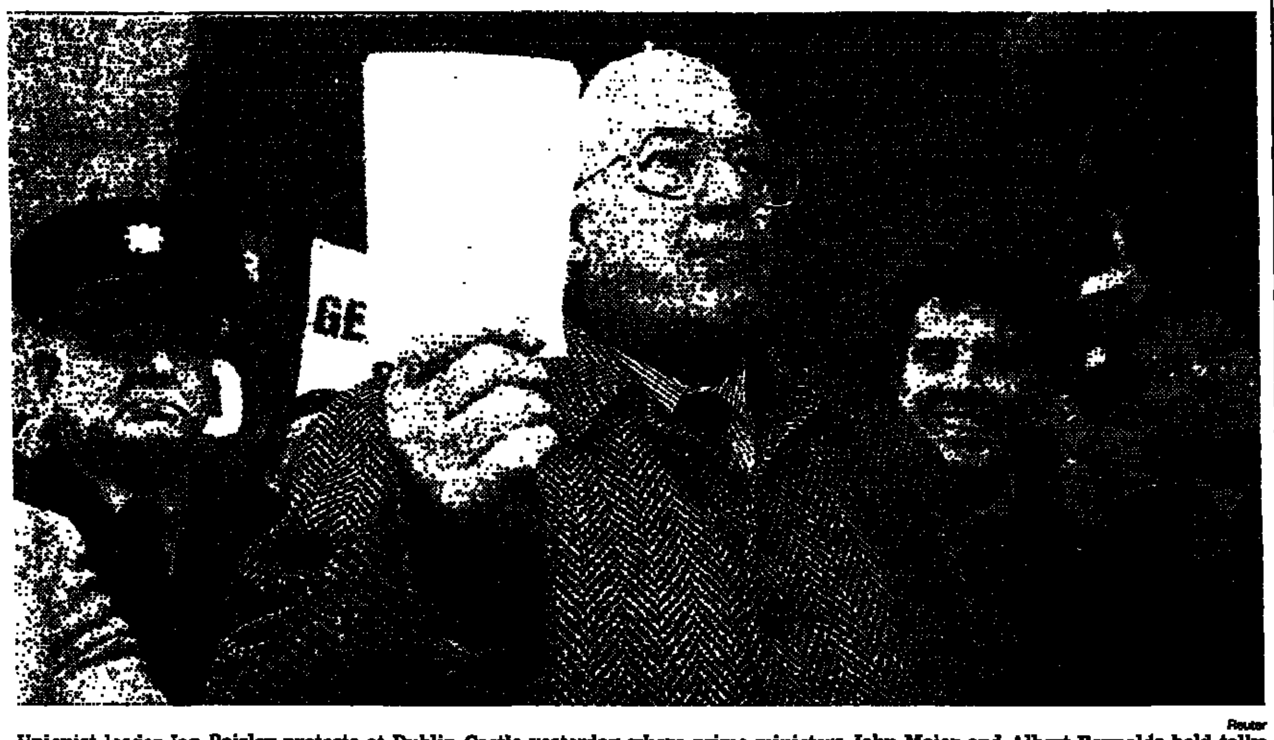
Mr Martin McGuinness, Sinn Féin chief of staff, said on Thursday that this response was "prepared" in April but not "lodged with the contact to be passed to the British" until July.

In addition, fresh documents released by Sinn Féin on Thursday appear to modify its position over a panicky message received by the government on November 2, shortly after the Greysteel shootings, warning that the country "could be at the point of no return".

Having denied the message Sinn Féin now appears to acknowledge that a communication was issued, but says it was "without our authority or knowledge".

A newspaper interview with Mr McGuinness published in September provides a further caution against automatically treating Sinn Féin's public statements with credulity. Asked whether there had been feelers from the government to Sinn Féin, Mr McGuinness is reported to have replied: "No, there haven't been."

David Owen



Reuter

Unionist leader Ian Paisley protests at Dublin Castle yesterday where prime ministers John Major and Albert Reynolds held talks

An intermediary who passed messages between the IRA and the UK government talked to Jimmy Burns yesterday.

Channels of communication between Sinn Féin and the government have involved a range of so-called "floaters" – intermediaries drawn from the church, local government, community politics and serving and retired civil servants. The government has said that serious contact between the two sides got under way only in February after the IRA sent a message: "The conflict is over but we need your advice on how to bring it to a close."

However, one of the floaters said that by then both sides had acknowledged that "no side could win [the war]".

In private contacts it had been understood that if and when an agreement was publicly announced it would have to be phrased so as not to suggest that either side was victor or loser.

"This explains the pique of Sinn Féin over the last few days," said the floater. "what they were trying to do was to get off the hook with dignity, but Sir Patrick Mayhew's statement put them in a very difficult situation with their supporters."

The floater said there had been more communication in the last two years than before, and it had become particularly intense by the start of this year.

At an early stage of the talks Sinn Féin officials were uncertain whether the people who put themselves forward as "government representatives" were really reflecting government policy.

Some of the mediators involved in the early stages of the Hume-Adams talks are believed to have been priests from the Clonard monastery in west Belfast.

Minister hits at Continental steel subsidies

By Andrew Baxter

The government yesterday risked further friction with fellow members of the European Union by pledging to fight for an end to state subsidies for inefficient Continental steel producers.

Mr Tim Sainsbury, industry minister, said subsidies were at the heart of the steel sector's difficulties.

"The continued operation of inefficient companies propped up by massive state aid is directly responsible for the excess capacity and uneconomic pricing," he told the British Iron and Steel Producers Association in London.

"The UK steel industry has had to take necessary but painful decisions. It is time for others to play by the rules and, if necessary, to suffer the pain of restructuring."

Mr Sainsbury's tough stance on the European Commission's controversial restructuring plans for the steel industry has irritated Germany, whose plan to subsidise Ekostahl, the troubled east German producer, is strongly opposed by the UK.

Mr Sainsbury upset the Commission last month when he told European counterparts in Brussels that "no agreement would be better than a bad agreement" on subsidies. Agreement on the subsidies issue has to be unanimous.

The November meeting of industry ministers ended in disarray after Italy rejected a Commission compromise on cuts in subsidies and capacity at Ilva, the loss-making state steelmaker.

Another industry ministers' meeting will probably be called for December 17, but Mr Sainsbury said yesterday that it would not be an easy meeting. "I may be unpopular with some of my ministerial colleagues but I am determined personally to get us a much more level playing field," he said.

Mr Sainsbury received support from Mr David Stone, the association's outgoing president. He said that political decisions by national or regional governments to subsidise steel-related activities must be fought by the UK through every political means.

"Soft compromises brought about through ministerial fatigue, or from a sense of isolation, or in the theoretical interests of a 'greater Europe' must be resisted," Mr Stone told the association's annual meeting.

'Failure' schools face new curbs

By John Authers

The first two schools to be branded "failures" by Ofsted, the new government inspection service, must draw up urgent action plans if they are to avoid placed under the direct control of the education department.

From next month Mr John Patten, education secretary, will have the power to appoint "education associations" to take over the running of schools in England and Wales from governors and local education authorities.

He will make a decision on whether to do so after seeing the schools' action plans, which they have until February to prepare.

According to Ofsted the quality of learning at the Crook Primary School in Durham was unsatisfactory, there were "major weaknesses in the leadership, management and administration".

Governors rejected the finding, saying: "We have difficulty in recognising Crook Primary School as we know it in much of what it has to say."

Brookside Special School in Derby was found not to meet curriculum requirements and lacked effective policies on assessment admissions.

Derbyshire county council responded by freezing admissions and introducing a range of improvements to registration and health and safety measures.

Mr Dave Wilcox, the council's education chairman, said: "The authority had already identified a range of problems at the school following our own inspection. It is disappointing that many of our recommendations have not been implemented."

Labour accepted Ofsted's reports, but questioned the response which could be made by Mr Patten. Mrs Ann Taylor, Labour's education spokesman, said: "The hit squad approach is not going to be the most effective way of tackling difficulties."

Britain shifts position at Dublin summit

By Tim Coone in Dublin

Irish persistence paid off at yesterday's Anglo-Irish summit in Dublin, with the British delegation being persuaded to work intensively on the joint declaration being sought by Dublin aimed at a permanent halt to IRA violence.

Considerable differences remain over its phrasing, which will be discussed in subsequent summits scheduled for later in the month. Agreement is by no means assured. But the Irish government can derive some satisfaction in having convinced Mr John Major to tackle the peace process before moving on to British concerns over constitutional issues, in particular Ireland's territorial claim to Northern Ireland.

The Irish proposal, contained in a document tabled last July, has been back and forth between the two governments since, and disagreement over its focus on the issue of Irish self-determination has been the principal stumbling block to progress on the peace initiative.

Self-determination is viewed as a loaded term by the British and by Northern Ireland's unionists, who see it as implying a veto by the republic over constitutional changes in the North. The Irish insist that this is not so.

Mr Noel Dempsey, the Irish government chief whip, said: "There seems to be some confusion in the British government's mind as to what we mean by self-determination."

He added: "What we are talking about is separate referenda, north and south, where both peoples in both parts of the island can make their views known. If consent is freely given, if a majority in both parts of the island decide that they want a united Ireland, of whatever form, then we will abide by that. We are not talking about collective self-determination."

The nationalist goal of a united Ireland does not seem to be as crucial to Catholics in Northern Ireland as many have believed. An opinion poll in yesterday's Irish Times, carried out last weekend by Coopers & Lybrand, indicated that only 32 per cent of Catholics in Northern Ireland favour a united Ireland, although 65 per cent favour a constitutional change involving a greater role for Dublin in the province's governance.

Only 3 per cent of Catholics favour greater integration into the UK, the option favoured by Mr James Molyneaux, Ulster Unionist party leader.

Broker jailed for £645,000 theft

An investment broker who cheated clients out of £645,000 to prop up his ailing business was jailed for four years yesterday, **John Mason writes.**

Mr Kenneth Renton, the former chairman of Wentworth Asset Management, pleaded guilty last month to 14 charges of theft and four of obtaining property by deception.

Passing sentence at Inner London Crown Court, Judge Fingret said Mr Renton's actions amounted to "persistent and blatant misuse of clients' money".

Mr Renton was also disqualified from being a company director for 10 years. He had denied a further 20 charges of theft and deception involving £1m. These charges have been laid on the file.

Investors invited to seek compensation

Customers of four investment firms have been invited by the Investors Compensation Scheme to see if they qualify for compensation.

The firms are former members of Fimbra, the self-regulating organisation for financial advisers. They are: APAL Financial Services of Barking, Essex; Chartered Financial Services (in liquidation) of Southampton; M.S. Insurance Services of Northwood, Middlesex; and Special Needs Consultancy of Torquay, Devon. The ICS said yesterday that the cases involved fewer than 50 clients and about £1m of investments.

Airports launch expansion plans

Liverpool and Manchester airports yesterday both made applications for expansion. The airports are less than 30 miles apart and only one plan is expected to be approved.

Manchester wants a second runway to double its capacity of 15m passengers a year. Liverpool, with less than 750,000 passengers a year, wants to expand to 6m passengers by 2010 and 12m by 2030.

Influenza killed 134 in November

Influenza killed 134 people in the UK last month, figures from the Office of Population Censuses and Surveys show. A total of 46 deaths came in the week to November 26, compared with eight in the same period last year.

Deaths from pneumonia are also rising, with 845 in the week to November 26, compared with 70 in the same period last year.

CBI deputy chief dies aged 49

Mr Richard Price, deputy director-general of the Confederation of British Industry, has died aged 49. He joined the CBI in 1970 as an economic adviser and held a succession of posts.

Sir Michael Angus, CBI president, said Mr Price's influence on European policy would be especially missed. Mr Price leaves a widow and three sons.

Vodafone million

Vodafone's mobile telephone network now has more than 1m customers, taking the number of mobile phone subscribers in the UK to more than 1.8m. Vodafone, founded in 1984, took four years to gain its first 250,000 customers. The last 250,000 came in 14 months.

DTI adviser to go

Dr Geoffrey Robinson, chief adviser on science and technology at the Department of Trade and Industry since June 1992, is to return to IBM to be director of its Hursley Laboratories.

Shoppers value 'own brands'

By Guy de Jonquières,
Consumer Industries Editor

Most British shoppers believe "own-brand" groceries sold by supermarket chains offer at least as good value as branded products from leading manufacturers, a survey shows.

The survey, by Verdict Research retail consultancy, says the popularity of own-brand lines and their growing use by retailers to spearhead price-cutting campaigns pose a serious threat to branded manufacturers, which may have to lower prices further to avoid losing sales.

Almost two thirds of consumers surveyed said the quality of own brands was equal to or better than leading branded equivalents. Almost three quarters said own-brand prices were about the same or cheaper.

J. Sainsbury's own brands scored highest on quality. Almost two thirds of consumers also said they rated the quality of "no-frills" own-brand products at Kwik Save, the discount grocery chain, superior or equal to manufacturer brands.

About a third of consumers said they were likely to choose own-brand versions of biscuits, cakes, canned groceries and dairy products over manufacturers' brands. Less than 10 per cent said they preferred own-brand beer and pet food.

Verdict says Tesco was using own brands more aggressively than any other large supermarket chain as a price-cutting weapon. Tesco brands were also being displayed much more prominently and stocked in larger quantities. Almost 40 per cent of Tesco's shelf space was devoted to its own brands, compared with 31 per cent at J. Sainsbury and 27 per cent at Safeway.

The cheapest supermarket was Kwik Save, where a basket of groceries costs £29.18, while the same goods at Tesco cost £35.12. Waitrose was dearest, at £36.53, followed by Safeway and Sainsbury's.

The research into issues of shelf-space and pricing was carried out in late October, shortly before Sainsbury's cut prices on 300 own brand lines.

Verdict on Grocery Brands. Verdict Research, 112 High Holborn, London WC1V 6JS. 071-404 5042. £850.

Personal alcohol imports up to £400m

By Philip Rawstorne

Cross-channel shoppers are spending about £400m a year on personal imports of beer, wine and spirits.

A report yesterday by Verdict, the retail consultancy, says that increased allowances of personal imports of duty-paid drinks this year have had "a dramatic impact".

Although the chancellor did not increase the duty on beer or spirits in the Budget, the outlook for UK off-licences is not bright, Verdict says. Price competition has intensified in the £6.5bn take-home market and profit margins of specialist shops are wafer thin.

Supermarkets have benefited most from growth in the take-home trade and now claim 56 per cent of sales. Off-licences are attempting to match prices but only the biggest chains, Thresher and Victoria Wine, have the power to compete on price for a prolonged period, the report says.

Verdict on Off-Licences 1993. Verdict Research, 112 High Holborn, London WC1V 6JS. £725.

Equatorial Bank gives up licence

By John Gapper,
Banking Editor

Equatorial Bank, the small Asian-owned bank which was placed into administration in March, has voluntarily surrendered its Bank of England banking licence after various attempts to rescue it failed, it was disclosed yesterday.

Mr Gareth Hughes, the administrator from Ernst & Young, said that the bank had surrendered its banking licence because there was "no prospect of rescue". The bank's liabilities and assets were being worked out.

The Bank of England said that Equatorial was one of two companies deleted from its list of authorised institutions under the 1987 Banking Act. The other was Bunge Finance.

Mr Hughes said that an interim payment of 25p in the pound had already been made to Equatorial's creditors. He expected that further payments would be made in the next few months as loans were reallocated to other institutions.

Equatorial was one of three Asian banks in London to close since last October, prompting concern about the supply of finance to Asian businesses. They lost liquidity after the closure of Bank of Credit and Commerce International.

Among those who expressed an interest in rescuing Equatorial was a group headed by Mr Ketan Somaia, a Kenyan Asian businessman.

Regulators chronicle pension mismatches

By Norma Cohen,
Investments Correspondent

A primary school teacher who persuaded a life insurance company to buy her out of a personal pension and back into an employer's scheme at a cost of £21,000 is one of about 500,000 similar cases to be investigated by securities regulators.

Through the efforts of her union, the Association of Teachers and Lecturers, Mrs Jennifer Brown, 33, persuaded Abbey Life, the life insurance company which persuaded her out of her scheme and into a personal pension, to buy her back in.

Mrs Brown, from Dudley in the West Midlands, transferred out of the teachers' pension scheme four years ago. She said: "When you sit down in the cold light of day and think about it, you wonder why you did it."

"I can't believe I would sign all those benefits away without even investigating it," she added.

Securities regulators are preparing to investigate the cases of up to 500,000 people like Mrs Brown, who transferred out of employers' pension schemes into personal pension plans. They estimate that as much as £7bn has come out of employers' schemes into private plans. An initial review of files has shown that in too many cases agents failed to obtain enough information to offer good advice to clients.

Mrs Brown's action cost Abbey Life about £21,000, enough to repay both the transfer value of her contributions when she left the scheme with eight years of service and to compensate for the four years when she was a personal pension holder.

Mr Peter Hood of the Teachers Superannuation Scheme said nearly 27,000 teachers had transferred out into a personal pension or had opted not to join the scheme at the start of their employment.

The teachers' scheme offers fully-indexed retirement benefits, death in service benefits of up to 18 months salary and 75 per cent of teachers retire early with no reduction in benefits. Also, their employer contributes an additional 8 per cent of their salary for the 6 per cent of gross salary contributed by each teacher.

Mr Hood said: "We face the difficulty that the salesman is there and can influence the teacher. They can cast aspersions on our scheme." By the time the scheme has tried to explain to members what they are giving up, they have already been talked into a personal pension by a seasoned sales agent.

Because personal pensions are rarely bolstered by a contribution from the employer, offer no survivors' benefits in the event of death, do not offer indexed benefits on retirement and carry significant up-front charges, it is difficult for them ever to be as attractive as an employer's scheme.

But Mr Steward Ritchie, director of pensions at Scottish Equitable, a leading private pensions provider, said individuals did not necessarily make decisions based on numbers.

Nevertheless, last year Lautro, the self-regulating body for the life insurance industry, issued guidance to sales agents telling them that there were almost no circumstances in which it was best advice to switch from an employer's scheme to a personal pension.

Rightwing ministers told to tone down rhetoric

Clarke wants unity over welfare state

By Philip Stephens, Political Editor

Mr Kenneth Clarke has told rightwing cabinet colleagues to tone down their rhetoric about the future of the welfare state to minimise the political backlash against planned cuts in unemployment and invalidity benefits.

The chancellor's warning that ministers must speak with one voice on the future of welfare provision was endorsed by the full cabinet this week. It was followed by Mr Clarke's public declarations that the government was committed to reforming, not dismantling, the welfare state.

Mr Clarke also won cabinet backing for his public statements that the government was committed to maintaining the state pension as a basic building block for retirement.

He dismissed the idea floated by Mr Peter Lilley, the social security secretary, and by Mr Michael Portillo, the chief secretary to the Treasury, that people might be encouraged to opt out of state pensions.

In Mr Clarke's view the government's drive to persuade people to make greater private provision for old age must not undermine the notion of the state pension as a bulwark against poverty. He told colleagues that many relatively poor and disadvantaged people could not find suitable substitutes for a basic state scheme.

The chancellor has also rejected the idea that the government should aim for a permanent reduction in the size of the state, which at present takes about 45 per cent of national income. He believes that his planned reduction in that share to about 40 per cent would leave it at the level necessary to sustain the welfare state over the long term.

In spite of the determination of those on the right of the Tory party to promote family values, Mr Clarke has also given a clear signal that his future budgets could see the disappearance of the married man's income tax allowance.

The allowance, with mortgage interest relief, was reduced to 15 per cent in this week's Budget. The chancellor acknowledged that the Tories' manifesto pledge meant that mortgage interest relief would survive to the next parliament.

He has pointed out that no similar pledge exists on the married man's allowance. Mr Clarke regards this as an anomaly left from the wish not to create "losers" when independent taxation of husbands and wives was introduced.

Colin Beere

Water works: engineers yesterday inspected one of the last dry sections of the £250m London water ring main, at Kempton to the west of the capital, to clear it for the taps to be turned on. The 80km tunnel, 40 metres underground, will be fully in use next year

Labour warns of slide in spending

By Kevin Brown, Political Correspondent

Public investment will fall dramatically as a result of the first Budget delivered by Mr Kenneth Clarke, the chancellor, Mr Gordon Brown, the shadow chancellor, said yesterday.

Mr Brown told a post-Budget seminar in London that general government investment would fall by 3 per cent next year and 3.5 per cent in 1995-96.

He said a Labour analysis of the Budget red book showed that net public capital expenditure would fall from £13.5bn this year to £10.25bn by 1997.

"This means a 25 per cent fall in the value of public investment, one of the biggest cuts we have seen," he said.

Mr Brown said the March Budget, delivered by Mr Norman Lamont, had also failed to live up to its billing as a budget for investment.

Mr John Smith, the Labour leader, told a party meeting in Edinburgh that the gloss was "fast fading" from the Budget. "The truth about the Budget is sinking in and the country is not impressed," he said.

Mr Smith said the Budget – the "biggest tax hike in history" – was the direct responsibility of Mr John Major, the prime minister, who was earlier chief secretary to the Treasury and chancellor.

"He has held the three jobs which give him immediate responsibility for the catastrophic decline. The buck stops very firmly with him."

In another attack on the Budget Mrs Margaret Beckett, Labour's deputy leader, said Mr Clarke had made "the clearest declaration imaginable that the Tories are the party of high taxation, just as they are the party of high crime".

Mr Robin Cook, shadow trade and industry secretary, said many of Britain's 10,000 rural post offices were at risk of closure because of a 76 per cent increase in Post Office payments to the government.

Focused pay-freeze fight urged

By Lisa Wood and David Goodhart

Unions should not mount a national campaign of action against the government's planned three-year freeze of public-sector wages, Mr John Edmonds, head of the GMB general union, said yesterday.

Instead, he said, unions should use workers with political muscle to set a fair "going rate" for others to follow.

"In the early 1980s cash limits were made unworkable thanks to an effective going-rate strategy," he said.

He said the freeze, with flexibility for special groups, was "power bargaining at its most naked". But he also said he detected a pragmatic, opportunistic stance in the way it was likely to be implemented.

TUC officials say that a sector-by-sector approach is likely to be more fruitful than a national campaign. However Unison, the biggest public-service union, may still push for co-ordinated action between local-government workers and civil servants, especially in the light of the relatively successful one-day stoppage against market testing on November 5.

The unions will be hoping for a lead from the independent pay review bodies, covering 2m public-sector workers, due to report in January.

The government's own evidence to the nurses review body calls for a phasing-out of the right of workers in hospital trusts to hold their nationally negotiated pay terms.

"The intention is to enable trusts to implement schemes for all their staff irrespective of whether they had opted for new locally determined employment contracts," the Department of Health said.

Coal subsidence pay-outs at risk, surveyors warn

By Michael Smith

Householders could receive insufficient compensation if they suffer mining subsidence following the privatisation of the coal industry, the Royal Institute of Chartered Surveyors said yesterday.

Measures for dealing with subsidence in the Coal Privatisation Bill, published on Thursday, are unclear, the institute said. "We are not confident that the £35m to £40m a year estimate for subsidence in the bill will prove sufficient."

The institute said its measures gave householders little protection if a private operator should become insolvent or deny responsibility for damage.

Instead of having one clearly responsible statutory authority, British Coal, householders would have to deal with the new coal authority and possibly one or more private operators, the institute said.

British Coal announced separately that it aims to reach agreement as soon as possible with Edwards Energy on the resumption of mining at Trentham in Staffordshire.

This takes to three the number of closed pits where British Coal has indicated mining can be resumed by private operators. Edwards is also in negotiations for Coventry colliery and British Coal has agreed in principle to lease Clipston colliery in the Yorkshire region to R.J.B. Mining.

Meanwhile British Coal yesterday ceased production at three pits, Bentley and Hatfield in the Yorkshire region, and Silverdale in Staffordshire, as part of its closures programme.

By Christmas British Coal will have only 22 pits left in production.

In a further development, the coal industry's two pension funds reinforced British Coal's concerns about the government's plans for pensions after privatisation.

Concerns centre on the extent of the trade secretary's powers over the trustees and the omission from the bill of government guarantees for post-privatisation benefit improvements above the inflation rate.

Although the government has promised that benefits will rise in line with the retail prices index, the trustees are concerned about the allocations of future surpluses and a clause in the bill giving the trade secretary powers of "national interest".

Mrs Rhoslyn Roberts, secretary of the staff scheme, said that the government's proposals did "not yet meet the objectives of the trustees".

Sega TV channel looks to Europe

By Raymond Snoddy

Sega Channel, the computer games channel due to launch in the US in the spring, is considering a move into Europe, starting with the UK in 1995.

The channel, owned by the games manufacturer Sega, Time Warner and TCI, the American cable operator, has been talking to cable and satellite television operators across Europe, according to New Media Markets, the Financial Times newsletter.

The channel is expected to launch on cable first although the company has also been talking to British Sky Broadcasting, the satellite broadcaster in which Pearson, owner of the Financial Times, has a stake.

The UK is Sega's main priority because of the estimated installed base of 1.4m Megadrive games consoles. Through a decoder owners of consoles will be able to get access to a range of games, including previews of new games.

The games company hopes the channel will both stimulate the sale of consoles and games cartridges and at the same time create an additional stream of revenue.

Tory unease grows over 7% rise in council tax

By John Authers, James Blitz and Paul Cheeseright

Unease among Conservative MPs and councillors intensified yesterday over the rise in council tax of about 7 per cent expected after this week's financial settlement for local authorities.

Some Conservatives in London fear that higher bills could undermine the party's electoral prospects in local elections next May, soon after the new council tax bills are delivered – several London boroughs have been subjected to steep cuts in the grant they receive.

One Conservative MP said London had been used as a "milch cow" for the rest of the country in the new settlement, announced on Thursday.

Mr Jack Straw, shadow environment secretary, predicted disaster for the Conservatives in the local elections around the country.

Sir Rhodes Boyson, MP for Brent North, whose local authority sustained the 10th greatest cut in standard spending assessment, said the expected rises were "a very serious matter" when inflation was 1.7 per cent and the government was planning to freeze the public-sector pay bill.

"This is another way of raising taxes and it won't be popular in the run up to the elections," he said.

Local government grants (unadjusted increase %)

TOP WINNERS		TOP LOSERS	
Brentwood	35.93	Slough	-13.74
Tewkesbury	29.63	Leicester	-13.73
South Bucks	28.30	Blackburn	-11.52
NE Derbys	25.83	Luton	-10.18
Ashfield	24.83	Burnley	-9.54
East Dorset	23.43	Wandsworth	-9.26
Three Rivers	23.35	Ipswich	-8.97
Blyth Valley	22.56	Hammersmith	-8.88
Basildon	22.33	Hyndburn	-8.64

Figures show change in government's estimated total standard spending, 1993-94 to 1994-95

Source: AMA

Brent was captured by the Conservatives from Labour in the last local elections in 1990.

Wandsworth, a Conservative stronghold which suffered one of the sharpest cuts, was confident that its council tax would remain "lower than average" thanks to the buffering grant given by the government to authorities which lost heavily. The borough would not rule out cuts in services.

Mrs Kathy Tracey, a Conservative councillor in Wandsworth, described the package as "very worrying for Conservative boroughs".

Finance experts for the local authority associations predicted that average council tax bills would be in line with government predictions, thanks to new measures for capping council budgets, which are tighter than ever.

Mr David Congdon, Conservative MP for Croydon North East, said that the decision to cut the budget for transitional relief from the poll tax to council tax from £380m to £130m next year could mean "much higher bills".

Other London boroughs expected swingeing cuts in services to meet government targets, with Hammersmith and Fulham predicting a cut of about £5m. After cuts of £40m over the past two years, the council suggested it would be difficult to make further cuts without job losses.

Leicester City Council, the largest non-metropolitan authority in England, suffered a severe cut in its spending assessment, and must cut its budget to stay within the government cap.

The city's SSA has been reduced by £6.4m. Mr Don Grant, director of resources, said that over the next two years Leicester would have to reduce spending by 12.5 per cent and this would cost jobs "in hundreds rather than tens".

Admission adds to SFO injury

By Andrew Jack and John Mason

The admission that a substantial bureaucratic blunder was made in the handling of documents relating to the prosecution of Mr Asil Nadir could not have come at a worse time for the Serious Fraud Office.

In a Commons written answer Sir Nicholas Lyell, the attorney general, admitted that the SFO had twice circulated copies of documents it was not entitled either to see or to distribute to others.

While the details are embarrassing to Sir Nicholas, who admitted his previous statement to the Commons in June was "incomplete" and "misleading", they are even more damaging to the SFO.

They come just days after criticism of its legal judgment following the outcome of its prosecution of Mr Roger Levitt, the disgraced financial salesman, who was sentenced to just 180 hours of community service after a plea bargain.

The latest revelations connected to Mr Nadir cast doubt over the SFO's managerial and administrative competence, and are highlighted in the exchange of correspondence between Mr George Staple, head of the SFO, and Mr Peter Knight, a partner with Vizards, the law firm which acted for Mr Nadir until his bankruptcy.

In his letter to Mr Staple in July Mr Knight suggested that "no workable system existed" in the SFO for handling privileged documents. The allegation was strongly rejected by Mr Staple in his response in a letter written on Thursday.

The letters focus on at least five bags of correspondence seized in two police raids – one in October 1990 on the offices of Polly Peck International, the company controlled by Mr Nadir and the other on Mr Nadir's Mayfair home at the time of his arrest in December that year.

The exact contents of the letters is unclear, but Mr Nadir's lawyers at that time claimed they contained correspondence between him and them which was covered by privilege.

The SFO initially contested the status of these documents but an independent barrister gave an opinion largely supporting Vizards' case.

Yesterday's further admission was prompted by a letter in July from Mr Knight to Mr Staple that the previous statement did not fully explain the position. It says that some of these documents were passed on both to the SFO's lawyers prosecuting Mr Nadir, and to the Polly Peck administrators. It was on this point that Sir Nicholas had to admit that he had misled the Commons in his earlier statement.

Mr Knight protested to the SFO over the circulation of these documents. The failure of the SFO to react properly to his protests forced both the attorney general and Mr Staple to apologise yesterday.

Sir Nicholas said: "I regret that the fact that copies of privileged documents had been circulated was not acknowledged by the then case controller to Mr Nadir's solicitor, and that no attempt was made to retrieve them until December 1991, despite Vizards' frequently expressed concern about the matter and the fact that the then case controller appears to have recognised at least by January 1991 that copies of potentially privileged documents had been circulated."

Mr Staple told Mr Knight on Thursday: "I accept that as soon as it was realised that privileged documents may have been copied, the matter should have been brought to your attention by the then case controller."

The case controller in charge of the Nadir case, Ms Lorna Harris, was the only SFO officer mentioned specifically in the statements made by Mr Staple and Sir Nicholas. However, an SFO spokesman insisted nobody was being singled out for the errors.

Ms Harris, who has since left the SFO but remains a civil servant, yesterday refused to comment. Her solicitor, Mr John Clitheroe of Kingsley Napley, issued a statement saying: "She has taken legal advice because she is very unhappy about what has been said about her by the attorney general. She is considering her position."

A soft-drinks company based in Izmir, Turkey, which holds Coca Cola's local bottling franchise, is bidding to buy Meyna, the fruit and packaging business once thought to be the main contributor to the £107m reported profit of Polly Peck International's Middle East businesses, John Murray Brown writes.

Mr Cemal Ozgorkey, head of the privately-owned Ozgorkey Group, confirmed he was in talks with the administrators to PPI. Meyna made net losses in 1990, 1991 and the first nine months of last year, according to internal management figures in a sales prospectus sent by the administrators to potential buyers.

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Mr Clarke's hairshirt

Masochism has been designated the English vice. Rightly so, it appears from the ecstatic reaction accorded to the second of two tough budgets in one year. Lashed by Mr Clark, the financial markets, the pundits and Tory backbenchers have gone into paroxysms of delight.

The joy of the gilts markets is understandable. Nothing is better designed to bring a smile to the lips of the nervous investor in long-term fixed income securities than the spectacle of depression in the economy and austerity in the budget. Austerity is what Messrs Lamont and Clarke have delivered. In 1996-97, taxes are to be £17bn (2.2 per cent of gross domestic product) higher than they would have been without the 1993 budgets. That is what the two chancellors would have obtained if they had raised the basic rate of tax to 34p in the pound.

Meanwhile spending has been cut by £3bn (0.4 per cent of GDP) in 1996-97, over and above already tough plans. As the Institute for Fiscal Studies promptly pointed out, the government intends to allow non-cyclical public spending to rise by less than 4 per cent in real terms between 1992-93 and 1998-99, a third as fast as in the recovery phase of the last cycle under Mrs Thatcher.

With £7bn of underfunding promised as well, it is hardly surprising that the redemption yield on a medium-term bond fell from 6.68 per cent on Monday to 6.46 per cent yesterday evening. This comes on top of an extended bull run, during which the yield has fallen from a peak of 12.7 per cent in April 1990.

Optimism about inflation is understandable, but what about the soaring equity market? The FT-A 500 Index has gained 2.6 per cent since Monday night. Why should budgetary austerity deliver this, especially when the price-earnings ratio is already barely short of where it was before the October 1987 crash?

Conventional wisdom is that low interest rates, particularly low short-term rates, have driven up prices of alternative investments, be they bonds or equities, because investors have nowhere else to put their money. If current equity valuations are to endure, however, investors must be right to believe in the government's rhetoric about the feasibility of sustained growth with low inflation.

Triumph of hope

This is the triumph of hope over repeated disappointment. But it is indeed what the chancellor is promising. Growth of real GDP is, says the Red Book, to accelerate smoothly from 2½ per cent in 1994-95 to 3 per cent by 1996-97. Meanwhile, underlying retail price inflation is to fall from 3¼ per cent next year to 2½ per cent in 1996-97 and 2 per cent thereafter.

It looks too wonderful to be true. It is not that wonderful, since what is to deliver this happy combination of growth with falling inflation is persistent excess capacity. Unemployment is, for example, assumed to remain at 2.75m until 1996-97. But, given the relatively depressed starting point and the fiscal action that has now been taken, the forecast looks at the least feasible.

Cost competitiveness, allowing for exchange rate changes, was "probably 20 per cent better in the third quarter of 1993 than a year earlier and is forecast to remain at close to that level during 1994", says the Red Book. The current account deficit is now forecast, on imperfect figures, at only £9½bn (1¼ per cent of GDP) in 1993 and the same in 1994. If right, this suggests the first of the twin deficits is not going to be the problem some have feared, or at least not soon. As for the second of the twins, the fiscal deficit, that too now looks under control.

Sadistic policies

The interesting question is not whether markets are right to believe in the logic of the masochistic fiscal policy, but rather whether they should trust in the durability of its sadistic politics. One issue is whether the government can get away with freezing the public sector's wage bill in nominal terms for a period of three years. Earnings in the economy are bound to rise by about 10 per cent or so over the period. If earnings in the public sector were to rise *pari passu*, employment in the public sector would have to fall by half a million, which looks neither feasible, nor desirable.

The policy would only be sustainable, without an explosion, if inflation were to fall even faster than forecast. This suggests slow declines in short-term interest rates. But this also means there would be the risk of only a gentle recovery and, given the fiscal squeeze, very slow rises indeed in real personal disposable incomes after tax for those in work. The Red Book says real personal disposable income could rise 1 per cent in 1994, the same as in 1993. It is unlikely to rise any more than that, on the government's forecasts, for many years thereafter.

With the public sector possibly in turmoil and most voters not becoming noticeably better off during the recovery, it will take a great deal of nerve for the government to persist. Maybe Mr Clarke has the guts for the task. But does his party? Once markets begin to question the politics, for how long will they find Mr Clarke's hairshirt economics so delightful?

Safety net, not social insurance

Change, not wholesale reform, is on the welfare state agenda, says John Willman

It is official: the welfare state is safe in Conservative hands – or so the government says. After months of speculation about radical reforms – spurred on by ministers such as Mr Peter Lilley and Mr Michael Portillo – the chancellor sought to lay the issue to rest in his Budget statement on Tuesday.

"This government will never take part in any attempt to dismantle the welfare state," he said. "We want to see a better welfare state, well-run, well-judged and one that meets the priorities of modern society."

That claim is borne out by the detailed measures in the Budget. There was a tightening up on eligibility for unemployment and invalidity benefits. A new drive on fraudulent claims was announced. Responsibility for sick pay was shifted to employers for larger businesses. And the state pension age for women will rise from 60 to 65 in the second decade of next century.

For all the opposition's sound and fury, this hardly adds up to what Mr John Smith, Labour leader, called a "vicious attack on the welfare state". Indeed, Mr Clarke took the opportunity to reaffirm his party's support for the basic state pension, the most expensive social security benefit, accounting for 10 per cent of public spending.

Mr Portillo, the hawkish chief secretary, may have suggested as recently as last month the state pension could be phased out for younger people. But the chancellor took the trouble to say the government was committed to the basic pension and "retaining its value".

And in case it was thought that ministers were picking on lone-parent families, Mr Clarke introduced a childcare allowance that would help "tens of thousands of mothers" go back to work. While acknowledging that this would benefit married mothers as well, he highlighted the help it would give single mothers in breaking out of welfare dependency.

Further, the chancellor has secured the agreement of cabinet colleagues for an end to the sort of talk about fundamental reforms of the welfare state which might frighten backbenchers and Tory voters. Less will now be heard about moving from a welfare state to a "welfare society", as trailed in the run-up to the Budget by Mr Lilley, the social security secretary.

At the morning cabinet meeting Mr Clarke exerted his political authority by telling colleagues in no uncertain terms to tone down their rhetoric. He wanted the welfare state reformed rather run down. Others should sing the same tune.

The Kobal Collection

A cosy image shattered: Terry-Thomas as a country constable in Happy is the Bride (main picture); Donald Sinden in Doctor in the House (top right); and Robert Donat as a teacher in Goodbye, Mr Chips

Yet life is not so simple. The welfare state has never been a fixed entity. It has constantly mutated to meet new challenges during the 50 years since Sir William Beveridge set out the blueprint for a comprehensive social security system.

For much of its first 30 years, the welfare state gathered size, creating new benefits, improving the generosity of payments and extending coverage beyond those paying national insurance contributions.

Since the late 1970s, however, there has been a series of incremental changes designed to ratchet down the rising cost of welfare:

- Some universal benefits such as maternity grant and death grant have been abolished (with employers taking over responsibility for maternity allowance).
- Unemployment benefit and sickness benefit have become flat-rate payments, with the elimination of the earnings-related supplements which used to be paid with them.
- Since 1981, benefits have been increased annually in line with prices rather than earnings.
- The state earnings-related pension scheme (Serps) has been scaled down to reduce its cost in the next century as the population ages.
- The conditions for claiming most benefits have been tightened – restricting unemployment benefit to people actively seeking work.

These changes have generally reduced the value of benefits as a proportion of average earnings, encouraging individuals who can afford it to make greater private provision. Almost 15m people, for example, have opted out of Serps into private pension schemes or occupational pension schemes.

The result is that the welfare state plays a declining role in providing financial security for most people. Instead, it is increasingly becoming a safety net for those unable to provide for themselves.

This week's Budget measures are a continuation of this trend, with further changes which will cut costs and encourage greater provision by individuals and employers.

And while fundamental reforms may be off the immediate political agenda, Mr Lilley is keen to see the trend continue. He will pursue his efforts to encourage a debate on the subject with the aim of preparing the public for more incremental change and persuading them to do more for themselves.

He will be helped in this by the decline in value of benefits now that they are linked to prices rather than earnings. The basic pension, worth 15 per cent of average earnings, will fall to about 7 per cent of average earnings over the next 30 years.

Already two-thirds of people reaching state retirement age have income from occupational pensions of more than £56 a week, the amount of the basic state pension.

As Mr Lilley recently pointed out, the UK is better placed than many other countries to cope with the strains imposed on the welfare state by an ageing population. By a series of policy adjustments – undertaken in the case of Serps long before the problem emerged – Britain has avoided the often arbitrary cuts other countries have recently introduced.

The announcement that the retirement age for women will be raised starting in 17 years is a further example of this far-sighted approach, the chancellor argues.

Certainly the welfare state is not fundamentally changed by the sort of measures announced this week. But the underlying process of reducing the demands on social security, of encouraging greater individual provision and seeking a greater contribution from employers continues.

The outcome of that in the longer term is a welfare state which is more of a safety net, supporting only those who cannot make their own provision. The welfare state into which all pay contributions in good times and all draw out when times are bad withers.

Beveridge might welcome elements of the switch, including the increasing emphasis on individual responsibility in welfare. But it is a far cry from the cradle-to-grave social insurance system he envisaged in his 1942 report.

Pain plus pragmatism

David Goodhart gauges reaction in the public sector

Welfare services, such as the National Health Service, escaped punishment in this week's Budget squeeze on public spending. But many of the workers who deliver such services are now asking whether it will be at the expense of their pay packets. At the same time, Mr Kenneth Clarke's decision to leave some flexibility in his three-year public sector wage bill freeze will make it more difficult for unions to campaign against the clampdown.

There remains uncertainty about precisely how the squeeze on public-sector pay will work and also about its consequences: for instance, will the drive to increase efficiency in the delivery of services be affected, and will public sector employment drop sharply?

The initial reaction from important union leaders such as Mr John Edmonds of the GMB general union was sanguine. Picking up on ministerial hints that workers with political muscle such as policemen and nurses would get special treatment, Mr Edmonds said: "At one level this is power-bargaining at its most naked. Yet there was also a pragmatic style to the announcement that we can exploit."

He warned that grandiose plans for national industrial action were likely to prove futile and that unions should concentrate on setting a "going rate" in the public sector, allowing less powerful and less popular groups – such as local government workers and National Health Service manual workers – to piggy-back on more powerful groups. This strategy was followed by the unions in the early 1980s when the government's policy of cash-limits on pay bills was repeatedly broken.

The timetable on public sector pay may be heading in a similar direction. In January the five pay review bodies, which recommend pay rates for about 2m of the 5m public sector workers, will submit their reports for 1994-1995. The future of the review bodies is in doubt following the 1.5 per cent public sector pay limit imposed this year and the proposed pay bill freeze for the next three. Recent personnel changes on the review bodies may make them more friendly to the government. Yet they are still expected to produce independent recommendations.

The recommendations could be difficult for the government to reject, especially for groups such as nurses and teachers. If the union strategy proves succesful, the government would come under pressure to offer similar increases to civil servants and NHS manual workers, who start talks in April.

For some parts of the public sector, pay rises at about the level of inflation are still compatible with a pay bill freeze. The NHS, for example, has only just begun to exploit the savings that can be made by improving the efficiency of unskilled workers and the professions allied to medicine.

But the government's real target for such efficiency savings is its central government civil servants and, above all, white-collar local government employees, sheltered from job cuts to date.

The pay bill in local government, as in most of the public sector, is about 70 per cent of total costs. This year it will be frozen thanks to the 1.5 per cent pay limit and a 3 per cent reduction in staff. The total number of employees is now below 2m.

This is only slightly below the numbers employed in local government in 1979, despite the fact that local government blue-collar workers have been cut by one quarter thanks to compulsory competitive tendering.

Ministers believe there is fat to cut – car allowances in local government, for example, total £600m a year – and would relish a confrontation with Unison, the public services union, which has been flexing its muscles over cuts.

The drawback of the overall strategy, according to Mr Doug Henderson, Labour's local government spokesman, is that a three-year pay bill freeze would either increase unemployment steeply or create an unacceptably large pay gap between the public and private sector – damaging at a time when staff are being asked to change their working habits of a lifetime.

MAN IN THE NEWS: ***Kenneth Clarke***

Plaudits for the main contender

Philip Stephens on a chancellor who diets on common sense

Mr Kenneth Clarke is just like the rest of us. He likes to be patted on the back. So in the aftermath of Tuesday's Budget the no-nonsense chancellor has been in more than usually expansive form.

Entertaining at Downing Street, sipping from a chipped coffee mug in his House of Commons office or putting away a pint or three in the MPs' bar, Mr Clarke has basked in the applause for his debut.

The only moment that he has looked disconcerted was when one of No 11's smart caterers offered him a pre-lunch glass of something called elderflower pressé.

Never mind that voters will eventually wake up to the biggest tax increase in living memory and discover that there is no money to build the village by-pass or new school promised for next year. This government lives by the day and week not the month and year.

Mr Clarke was charged on Tuesday with rescuing Mr John Major's government. A public borrowing requirement of 8 per cent of national income – the level which forced Labour to call in the International Monetary Fund back in 1976 – had to be dealt with. But it had to be done in a way that did not give the Conservative party at Westminster an excuse for another collective nervous breakdown.

Despite his self-confidence he resented jibes that he would be at sea at the Treasury

The new boy at the Treasury – he has been there for only six months though it may seem longer – had also to present a plausible case that a return to fiscal responsibility would not stifle the still-fragile economic recovery

The judgment at Westminster was that Mr Clarke pulled off the trick. The right and left of the Conservative party were satisfied by the judicious mix of cuts in public spending plans and higher taxes. Tory MPs began to sound as if they had remembered that they belonged to the party of government not opposition.

Some in the Treasury judged the £1bn plan to compensate the poor and the elderly for the imposition of value-added tax on domestic fuel ludicrously generous, but it did take the immediate political sting out of the issue.

Even Mr Norman Lamont, his still-disappointed predecessor, had a good word for Mr Clarke's package. So too did Lord Lawson, not one to lavish praise where criticism will do.

For all his self-confidence and experience of running big Whitehall departments, Mr Clarke resented jibes from city scribblers that he would be at sea at the Treasury because he had not been tutored in theoretical economics.

True to his son-of-the-smokestack roots in the industrial Midlands, he sees economics as the application of common-sense policies according to a set of basic principles.

Governments should hold down inflation and give industry a liberal, lightly regulated, environment in which it can expand. They should not borrow too much. They should keep marginal tax rates low (he still believes it, honestly), and act as a powerful force for free trade within what, as a good European, Mr Clarke is quite happy to call the Union.

They should also move in from time to time to fill the gaps left by the market, such as education and training and help for small businesses. Stable exchange rates are a good idea because they allow business to plan ahead. So, too, would be a single European currency.

You do not, as Mr Clarke might put it, have to spend your evenings buried in economics textbooks to apply such a common sense approach.

So in the interests of brevity (he thinks it is possible to keep the attention of the House of Commons for no more than 90 minutes) he put a thick red pencil through the Treasury's traditional Budget lecture on the state of the world economy.

But the Budget package was essentially political not just because Mr Clarke has a natural disdain for smart-Alick economists.

The first big decision he took after arriving at the Treasury in June was that the budget deficit had to come down faster than envisaged in the medium-term plan set out by Mr Lamont in March. The new blueprint had to be delivered in November.

Mr Clarke's reasoning was that a government which had rarely been in charge of events since it was elected 18 months ago might then claim to have restored its grip. Even the punters outside the precincts of Westminster might think that it was worth taking some pretty bitter medicine if the doctor appeared half-way competent.

The second decision was that his first Budget would not be an occasion for fancy tax reform. He had more important things to do. Anyway, tax neutrality is not a phrase which trips easily from his lips.

After the political uproar over VAT on fuel he had to find ways to raise money that would minimise the potential for yet another Tory revolt. Increases in the key rates of income tax were ruled out; so, too, a bit later was any further extension of VAT, even though Mr Clarke remains committed in the medium term to the switch from direct to indirect taxation.

Instead, the chancellor chose well from the rest of the items on the Treasury's misery menu. Taken together, his tax increases will raise another £6bn or so by 1996-97. But each one has been selected to minimise Conservative opposition on the backbenches and among party activists.

Many Tory MPs are fed up with the steep increases in petrol prices. The insurance and airline lobbies will ensure others grumble about the new airport and insurance taxes. But these are not issues worth going to the political stake for.

Of course, the size of the reductions in public spending which allowed Mr Clarke to claim his Budget would knock another £18bn off the borrowing requirement by 1997 was partly fortuitous.

His cabinet colleagues in the spending committee, known as EDX, were just as frightened of the implications of borrowing running at £1bn a week. They decided for once to behave responsibly.

Another windfall came from the heroic assumption that some 5m public service workers would stand meekly by while increases in their pay are held below 2 per cent a year until the general election due by 1997.

He is ready to admit that next year could see a bout of serious industrial unrest

Mr Clark is standing by the spending figures, but the politician who took on the ambulancemen and very nearly lost is ready to admit that next year could see a bout of serious industrial unrest.

He has moved swiftly to counter the idea that his Budget's planned cuts in benefits for the unemployed and the sick are the beginning of an assault on the welfare state.

Messrs Michael Portillo, the chief secretary, and Peter Lilley, the social services secretary, have been powerful advocates in recent months of a fundamental shift in the burden of welfare provision from the state to individuals. Mr Lilley last week coined the clever phrase "welfare society". It is no accident that, after being slapped down by Mr Clarke, he has started to refer anew to the welfare state.

On Wednesday the chancellor praised Mr Portillo's undoubted skill in co-ordinating the public spending round but then tilted at those on the Tory right who wanted to encourage old-fashioned family values. The chancellor seemed to be enjoying himself. But what next?

Like the rest of us, Mr Clarke is not at all sure. He thinks that the Tory party will keep its nerve. Economists at the Treasury (and he does get on with them) say that the recovery is robust enough to withstand in the short term the dent to confidence caused by higher taxes and a squeeze on public spending.

Inflation may be low enough now to get the government through the first year of the public sector pay freeze. But next April will be rough as the voters look at their pay packets and realise that the party which promised them tax cuts at the last election has done quite the reverse.

And once or twice recently the Treasury's economists have been known to get it wrong. If the recovery falters then Mr Clarke's fine arithmetic for spending and borrowing will end up, with many other recent forecasts, in a Treasury waste bin. It is hardly a secure background for the local elections in May and the European elections a month later.

For all their delight this week, Tory MPs fear heavy defeats in those elections might yet derail the government strategy for political recovery.

But all that is for the future. This week Mr Clarke confirmed his standing as the cabinet's accomplished heavyweight. He has succeeded where the prime minister has failed in uniting, for a moment at least, the right and left of the Tory party. He insists that he has not thrown away his fundamental commitment to centre-left one-nation Toryism. But he has found a way to accommodate those who still grieve for Lady Thatcher. Mr Portillo confirmed himself as the cabinet's fastest-rising star, but if the bus which Mr Major has dodged so many times this past year were finally to actually hit the prime minister, then Mr Clarke would be the one who replaced him.

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The curse of Gyllenhammar

Kevin Done and **John Ridding** sift through the wreckage of the failed merger between Renault and Volvo

Mr Pehr Gyllenhammar is leaving Volvo for the wilderness like a baleful Old Testament prophet cursing his people. Left in isolation by his shareholders and his senior management, he is prophesying only the apocalypse for his abandoned flock.

The Volvo organisation is "crushed", the company "wounded". The critics of his vision are guilty of "turning their backs on Europe and the world" and have "reduced the probability of Volvo's long-term survival".

The rejection of a full merger of Renault and Volvo's automotive operations was also a rejection of all that had been achieved in the last three years of alliance between the Swedish and French automakers, he claimed.

In his most damning imprecation Mr Gyllenhammar warned: "The alliance will not remain. It will be dismantled by a Renault management which has lost its confidence in Volvo. To dissolve the alliance will require time, energy and will be demoralising."

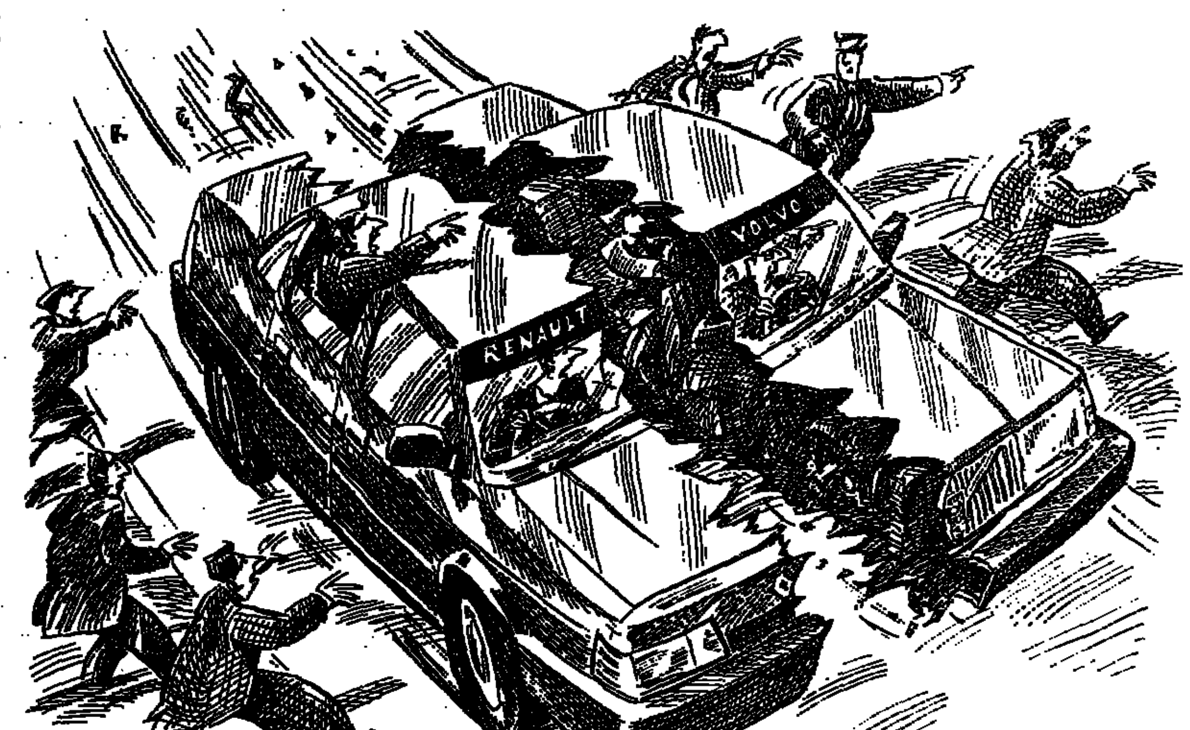
Yesterday Mr Louis Schweitzer, chairman of Renault and the man who shared Mr Gyllenhammar's vision for building Europe's second-largest vehicle maker, was understandably more cautious. "The industrial agreement signed with Volvo in 1990 remains in force. It is not threatened by the failure of the merger," he insisted. "But the dynamism has been lost. We have to look with sangfroid at what we do now. We will examine our projects on a case by case basis."

In reality the choices facing Mr Schweitzer – and Mr Gyllenhammar's successors at Volvo – are bleak. The challenges and threats in the fiercely competitive global automotive industry, which first encouraged the two companies to look at merger as a road to survival in the next century, remain.

The world's car and commercial vehicle makers are haunted by overcapacity, minimal growth in demand, continuous upward pressure on product development costs, increasing price competition, and the need to overhaul radically their components and materials supplier bases in order to reduce components costs.

To make matters worse, the auto industry is still caught in the worst recession in Europe and Japan of the postwar era. Much of the industry is in loss, and those parts still in profit are scarcely making enough money to support the demands for ever increasing investment.

Instead of confronting these external threats Renault and Volvo must now turn aside and use invaluable management time and resources to unpick their relationship.



Outright merger had always been the only logical conclusion of the far-reaching alliance announced by the two companies in 1990 and formalised with an exchange of large minority cross shareholdings at the beginning of 1991. The two companies must now examine what can be saved from their collaborative projects, and assess which activities have been rendered impossible by the breakdown of trust between the organisations, and which areas may lend themselves to collaboration with other rivals.

Some joint activities will still make sense outside the remit of a full merger. The world auto industry is a complicated square dance in which the big players co-operate in some regional markets of the world and compete in others. The exchange of major components such as engines and gearboxes is becoming increasingly common.

Renault already supplies engines and transmissions for the Volvo 400 series. Projects such as this will probably survive.

In doubt, however, will be the future of the ambitious plans that had been put into place in preparation for full merger. These include the establishment of common operations for purchasing and quality, the merger of car marketing and sales organisations in big markets such as Germany, and the creation of single project teams for the development of new model ranges, such as the joint executive car planned for the end of the decade to replace the Volvo 800/900 series and the Renault Safrane.

If a full divorce occurs, it would

For the French government, the accord was regarded as a vital step before privatisation

leave the Volvo car operations looking particularly exposed. Mr John Longhurst, automotive analyst for UBS, warned that Volvo's shareholders had won "a hollow victory" by stopping the merger. "Volvo Car will ultimately wither in the absence of the economies of scale that would only have come from a full merger."

The development without a partner of the Volvo 850, the Swedish carmaker's latest new car project, had almost "broken" Volvo's car division, said Mr Longhurst. "Its replacement could finish the job."

Most industry observers believe that Renault remains in a relatively healthy position without the merger. "Volvo needed this merger much more than Renault," said one automobile industry analyst in London. Mr Louis Schweitzer, Renault's chairman, is confident that the car group can remain profitable throughout the worst downturn in the world automobile industry.

New products are also on the way. At the beginning of next year Renault will introduce the Laguna to replace the Renault 21. A replacement for the Renault 19 is also due by 1995.

But the collapse of the merger is still a blow. Renault and Volvo predicted cost savings of more than FFr30bn (£3.4bn) by 2000 as a result of economies of scale in production, combined R&D efforts and joint purchasing programmes. Renault was also aiming to capitalise on Volvo's strength in upper-range cars and safety technology.

From Renault's perspective, the merger was particularly important in commercial vehicles, where Volvo is stronger. "In the trucks sector, now more than ever you have size problems," said Mr Schweitzer. "R&D costs are growing rapidly and these are the kind of costs saved by a merger."

It seems inevitable that the process of picking up the pieces will take place in a mood of bitterness. Renault said it "deplored" Volvo's failure to ratify the merger. "This is an unpredictable partner," said Mr Gérard Longuet, the French industry minister. "It is a missed opportunity for European industry."

Most troubling for Mr Schweitzer is the state of limbo in which the group finds itself. "The alliance with Volvo was meant to lead to a merger and synergies between the two groups," said one industry observer. "Instead Renault now finds itself with an albatross around its neck."

Mr Schweitzer has consistently maintained that, without a merger, the existing co-operation would be jeopardised. "It has always been a two-stage process," he says. "Co-operation has worked because we were heading towards a common goal of the merger."

For the French government, the accord was regarded as a vital step before the privatisation of its automobile group, one of the most attractive assets on the list of 21 publicly owned groups slated for sale over the next five years. Resolving the status of the alliance, and in particular the cross shareholdings, will be crucial to the privatisation. In January 1991, Volvo took 20 per cent of the shares in Renault and 45 per cent of the shares in its trucks and buses division. Renault took 25 per cent of the shares in Volvo's car operations, 45 per cent of its truck activities and about 10 per cent of the voting capital in the parent company.

The French government said the failure of the merger did not affect its intention to privatise the car group, but it could hardly do so soon. "For one thing, who would buy shares when the situation is so chaotic?" asked one merchant banker in Paris. "Second, the French government must be nervous about the prospect of having Volvo so prominent in the share register after everything that has happened."

The result is likely to be a delay in Renault's privatisation, which may be welcomed by the government. It "may now be able to wait for conditions in the automobile market to improve to maximise its revenues," said Mr Philippe Barrier, automobile analyst at Société Générale, the financial group.

But the state of the car market is hardly the priority for either Renault or Volvo. Business-as-usual must take a back seat as they struggle to emerge from the wreckage of the failed merger, with Mr Gyllenhammar's prophecies ringing in their ears.

Lionel Barber on what may be the final stages of the Gatt talks

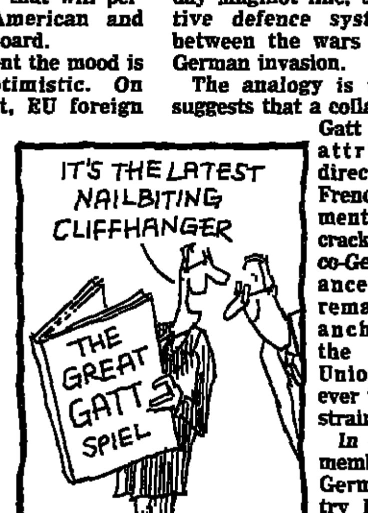
A tonic for Euro-malaise

The Gatt world trade talks have moved decisively into an end-game. Failure remains possible; but high-level talks in Brussels this week between the US and the European Union have left the impression that the two powers that can make or break the negotiations are committed to striking a deal.

On Monday, Sir Leon Brittan, the EU's chief trade negotiator, and Mr Mickey Kantor, US trade representative, aim to unveil an outline agreement on all outstanding issues, including agriculture. They want to create a bandwagon effect, sweeping along all 103 countries in the Gatt negotiations in Geneva so that an agreement can be reached by the agreed deadline of December 15.

It is a hard-sell, high-risk strategy. Much mind-numbing technical work remains to be done. Many wonder if there is enough time to reach a comprehensive deal that will persuade Latin American and Asia to climb aboard.

For the moment the mood is cautiously optimistic. On Thursday night, EU foreign ministers gave Sir Leon a vote of confidence to make the final trade-offs to achieve a deal. A few ministers grumbled about a lack of detail, but French veto threats were absent. "There is a common approach, there is enough cohesion, there is confidence in the Commission," said Mr Willy Claes, the Belgian foreign minister.



Still, if a final deal is to be struck, many disputes must be resolved. One of the stickiest is US demands that the Europeans further open their markets in films and broadcasting. The EU counter-proposals for measures to protect "cultural specificity" remain unacceptable in their present form.

The US is also hanging tough on textiles and steel; and there is no agreement on new world trade rules to replace Gatt. One possible solution is a new Multilateral Trade Organisation which would license the terms under which members could take action against unfair trading practices.

But the calculation in Brussels and Washington is that the stakes are too high to countenance failure. "We have an awesome responsibility," said Sir Leon. "Failure would carry with it the risk of a downward spiral of protectionism leading to immense damage to the world economy."

Such rhetoric has echoed through the negotiating corridors regularly since the Uruguay Round started in 1986; but it is now taken seriously. This is most true of Europe, where a shift of opinion has taken place as business and political elites have woken up to the risks of failure.

Big business now realises that Europe missed "an historic opportunity" in 1990 to conclude a deal at an earlier Gatt meeting in Heysel Stadium, Brussels, said a leading French businessman. "They did not push hard because those were good economic times. Failure would be catastrophic now."

The fear of the "beggar-thy-neighbour" policies of protectionism and competitive currency devaluations reminiscent of the 1930s has galvanised European industry. While estimates of an annual $250bn boost to the world economy are long-range and perhaps exaggerated, business leaders argue that a deal would deliver a much-needed lift to confidence.

This was a theme in the report "Beating the Crisis", by the European Round Table, the business leaders' group, unveiled yesterday in Brussels in the presence of Mr Jacques Delors, president of the European Commission. He, too, has undergone something akin to a conversion on Gatt.

A year ago, Mr Delors was happy to deliver sermons on the plight of the French peasant and the need to stand up to "Big Brother" across the Atlantic. But recently he warned his fellow Frenchmen to snap out of their "national psychodrama" and to avoid retreating behind a modern-day Maginot line, the ineffective defence system built between the wars to stop a German invasion.

The analogy is telling. It suggests that a collapse of the Gatt talks – if attributable directly to the French government – could crack the Franco-German alliance which remains the anchor of the European Union, whatever its present strains.

In this spirit, members of the German Industry Federation have pointed out to their counterparts in the French Patronat that, since German manufactured exports account for 13.8 per cent of world manufacturing exports, Germany's vital interests are at stake in a Gatt deal.

UK officials are equally blunt. They draw a picture of a European Union split between northern free-traders and a protectionist rump of Latin countries led by France. The likely result would be a rash of unilateral actions against cheap imports, the end of a unified EU trade policy, and the end of the single European market.

The broader concern is that Europe gets caught in a world of managed trade between blocs. Last month's Apec summit in Seattle was viewed in Brussels as an implicit threat that the US could gain preferred trading partnerships in the fast-growing Asian markets. When Mr Warren Christopher, US secretary of state, warned this week that a failure in the Gatt talks would damage the transatlantic alliance, he was taken seriously.

Similarly, Europeans fear a trading system without established rules and codes for regulating the subsidising and dumping of exports and settling trade disputes. It would mean "a licence to kill", said a senior Commission official.

This reveals the widespread sense of vulnerability in Europe provoked by the conflict over the Maastricht treaty, the collapse of the European Monetary System and now the phenomenon of mass unemployment. A Gatt deal would not be a miracle cure, but it would restore confidence in Europe's ability to act collectively on a matter of vital interest.

Few ladies in red

Leyla Boulton on women in Russian politics

Mrs Alevtina Fedulova is the best Russia can offer as a female leader with the kind of clout once held by Mrs Thatcher. Blonde and articulate, she hopes to make big political advances for women as leader of the country's first party dedicated to female rights. In next weekend's parliamentary elections, Women of Russia is putting up 44 female candidates for the 450-seat State Duma.

Mrs Fedulova has a reputation as a formidable operator. Under the old Communist regime she headed the Pioneer youth organisation, which ran holiday camps for millions of children, where Marxist-Leninist values were mixed with games and music lessons.

This experience is both a disadvantage as well as a plus. Her background as a pillar of a Communist regime that did little to advance women's well-being means female voters, eager for a greater voice in Russian politics and society, are reluctant to support her. She admits the Communists "proclaimed rights which were never applied in practice".

It is ironic that Mrs Fedulova finds herself the founder of Women of Russia – and it is a sign of the difficulties women's rights activists have had in organising themselves in a fledgling democracy. So far, few women have been able to gain the experience necessary to form parties.

The problem is not new. Equality between the sexes, promised by the Bolsheviks in 1917, meant, in practice, that many women were forced to work in heavy industry and other traditional male jobs but still to carry the burden of domestic duties.

As a result, Women of Russia seeks to appeal to women voters through largely pragmatic issues – for instance, pledging to give women the option of staying at home and stressing the importance of improved healthcare. It talks about bringing "feminine qualities" – meaning reliability and tenderness – into Russia's male-dominated political arena.

The party is unique in trying to turn women's rights into a political issue – even though females account for 75 per cent of the unemployed and abortion remains the most common form of birth-control. The concerns of most other political parties revolve around the threat of a declining birth rate to Russia's influence as a world power and promises of improving health care.

One exception – Russia's Choice, the party set up by young radical reformers in the Russian government – has put Ms Ella Pamfilova, the social welfare minister, at number three on the party list used in the system of proportional representation. But in spite of her popularity, most women activists regard her selection as a token gesture.

Similarly, Mr Grigory Yavlinsky, the economist, has promised that the radical alliance he leads would try to pilot an equal opportunities law through the new parliament.

The pervasive indifference is due largely to the lack of pressure from women themselves. Many blame themselves for the dominance of men in Russian society and politics. "We spoil our men," explains Mrs Natalya Starkova, a 60-year-old English-language teacher at Moscow University. "They are accustomed to expecting Russian women to go out to work, to do everything at home and to look pretty for them in the evening." Women made up less than 6 per cent of the last Russian parliament – against a third under the Soviet regime.

Politicians' wives traditionally stay in the background. Mrs Raisa Gorbachev, the only Soviet leader's wife to venture into the limelight, became unpopular because of her aloof image and taste for foreign clothes. President Boris Yeltsin has tried to avoid the same problem, keeping Mrs Naina Yeltsin behind the scenes. Not one candidate's wife has appeared on the campaign trail or posters.

Olga, the 36-year-old wife of Arkady Murashov, a leading candidate for Russia's Choice, says politicians' wives could play a more prominent role "if things are done well, not like Mrs Gorbachev".

The result of the relative sidelining of women is that the elections are unlikely to advance their cause. Nor are they likely to help themselves in Russia's first democratic election. Many believe that supporting Women of Russia would be to waste their vote when economic reform as advanced by Russia's Choice is more important at this stage in Russia's history.

"I'm all for getting more women into parliament," says Mrs Starkova, who plans to vote for Russia's Choice. "But this time the main task is to fix our economy and Women of Russia can't do this."


Reuter

Indifference: women have failed to organise effectively

Mrs Valentina Konstantinova, one of Russia's few self-proclaimed feminists, says women must first increase their self-esteem before putting other women into parliament.

A few others are running as independents with an emphasis on women's rights.

Mrs Fedulova agrees women themselves are part of the problem. Her task is to convince them of their strength.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A deep suspicion, not trust, of benchmarks

From W S Bainbridge.

Sir, What an interesting article by John Cuthbert ("Put your trust in benchmarks", November 27-28). It has become my experience over the years that the top unit trusts are out there waiting for me to invest. Receipt of my money is their signal to leap off the cliff into obscurity, cackling insanely. Their "health warning" should surely read: "The value of your investment may plummet..."

But in the end the article disappointed. Unless you (or someone clever like you) were to publish and maintain a risk/benefit benchmark table along the lines of that suggested the average decaying simpleton like me will be no better off. I hope you will decide to help. In these parts standard deviations are looked upon with deep suspicion. I don't allow them in the house, and if I find one in the garden I stamp on it smartly with my green wellies.

W S Bainbridge,
48 School Lane,
Ashurst Wood,
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East Sussex RH19 3QP

Much more than a façade

From Mr Peter Morgan.

Sir, Observer falls into the error ("Directorless", November 30) of regarding the IoD's building in Pall Mall merely as an administrative headquarters. Behind its historic façade is a heavily used, modern business centre at which, every day, businessmen and women transact business with customers, suppliers and clients.

Far from being a burden, our Pall Mall facilities are central to the service the IoD offers to its members, and make a substantial contribution to its revenues.

The challenge for my successor will be to build on its present success.

Peter Morgan,
director general,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED

Road tolls: excise option more efficient and fairness essential to their success

From G W Goddin.

Sir, Transport secretary John MacGregor ("Motorway charges put on hold until after election", November 26) will be doing very well to develop a scheme for electronic road tolls by 1998. Quite apart from the little matter of the election, there is the total antipathy (initially apparent in the "Traffic in Towns" report, 1964) of the department of transport and of road lobbies to any kind of direct charging of motorists for road use.

At present the only "usage tax" (ie, related to road use, not ownership) is fuel excise duty at some £1.20 per gallon – that is, 6p to 3p per mile for large to small cars. To equate to typical EU toll levels and city public transport charges this direct charge ought to be three to four times higher.

Thus Mr Kenneth Clarke, the chancellor, is to be congratulated for embarking on this route, for excise duty tolls ar not only cheap to collect and hard to avoid, they also have formidable effects on fuel efficiency and pollution, and they surcharge congestion.

Mr Clarke's excise tolls are far superior to Mr MacGregor's electronic tolls which, given the negligible R&D pursued by the transport department so far, could easily remain unsuitable as a means of charging for direct road use for a very long time.

G W Goddin,
14 Ruskin Avenue,
Kew TW9 4DJ

From Mr Jeffrey Rose.

Sir, The Budget announcement that the government has decided to go ahead with motorway charging as soon as the electronic technology is ready almost certainly defers implementation of any such scheme until alter the next general election. However, it does not defer the need to continue efforts to ensure that charging, when it comes, is both sensible and fair.

Once again, it seems probable that the intransigence of the Treasury will turn out to be the main obstacle. Charging can be made acceptable to the motorist only if the money raised is committed to spending on the road network; is additional to current road investment; and there is a realignment of other motoring taxes to make introduction of a charging system fair and not unduly onerous.

If the Treasury cannot accept direct hypothecation of revenue from user charges then the motorist will resent motorway charging. An unfair system will have "poll tax potential", and could backfire on the government. The UK's 35m motorists make up a significant proportion of the electorate and will not accept a proposal that is grossly unfair. The Treasury should look to the future and radically review its own rules, which look increasingly like outdated dogma.

For those concerned about provision of a road network on which the economy will remain hugely dependent, the battle over the coming months must be to secure a fundamental Treasury reappraisal.

Jeffrey Rose,
chairman,
The Royal Automobile Club,
89/91 Pall Mall,
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The child as a thinker

From Ms Diana Schomberg.

Sir, After all the recent hand-wringing and talk of moral teaching how refreshing to read Christian Tyler's interview with Karin Murris in which she stresses the importance of teaching children to *think* (Private View, November 27/28).

Towards the end of my teaching career in a south London school the thing that depressed me most was the growing mindlessness among pupils – a kind of animality, so unthinking that it often led to self-induced injury, as well as harm to others. Children lived in a dream world of pop and pap, aware only of the values inculcated by trivia and video nasties. How can anyone instil morality until such children learn to think clearly.

By contrast, the article by John Willman in the same issue ("Things can be done: Hand-wringing over the James Bulger case is misplaced") was faint-hearted and unimaginative. Even if there is not enough money for universal provision, at least we could provide it for priority areas. Having done so, we must make sure that the very best teachers are appointed to work in them. They could make a tremendous difference to a child's future (partly because problem children – and families – would be spotted earlier).

By primary school age the damage has been left too long unchecked.

Diana Schomberg,
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London SE10 8RY

A healthier view of the deficit

From Mr Martyn Thomas.

Sir, The chancellor uncharacteristically missed a trick in his Budget.

As part of the government's "back to basics" campaign, he should have reinstated the traditional British billion. That would have cut the deficit to £0.05bn at a stroke.

Martyn Thomas,
chairman, Praxis,
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Long handover period has led to confusion about future direction

Ladbroke postpones FID decision

By Michael Skapinker, Leisure Industries Correspondent

The Ladbroke group is believed to have drawn back from its announcement earlier this week that it would definitely take advantage of the new foreign income dividend scheme.

The group is thought to have decided to postpone a final decision on whether to make use of the scheme until it has had time to discuss the matter with its shareholders.

Ladbroke announced last Wednesday that it would take advantage of the foreign income dividend (FID) scheme when paying its 1993 final dividend in early July 1994. The announcement was one of the factors which led to the group's share price falling from 171½p at the start of trading on Wednesday to 145p yesterday.

Using the scheme would result in a significant loss to pension fund investors because FIDs, unlike conventional dividends, do not carry a 20 per cent tax credit which tax-exempt investors can reclaim.

Trevor Humphries

Cyril Stein: to retire on January 1 next year

The confusion over whether or not Ladbroke had made a final decision on FIDs appears to arise from a senior management hiatus at the group, following the announcement last September that Mr Cyril Stein, the veteran chairman, was to retire. Mr John Jackson, the new chairman, and Mr Peter George, the new chief executive, do not formally take up their positions until January 1. The long handover period has led to some uncertainty as to the group's future direction.

The revelation this week that discussions were taking place over the future of Mr Michael Hirst, head of the Hilton International hotels subsidiary, is believed to have arisen from the same confusion.

Mr Hirst is regarded as an outstanding hotel operator but the group had decided that a new senior manager was needed to work alongside him to exploit one of the world's best-known brand names.

While discussions were going on, Mr Hirst sold 125,000 Ladbroke shares. The group said Mr Hirst sold the shares for personal reasons. The sale was announced on Budget day, four days after it had taken place. This created the impression that the group was trying to hide the share sale and also forced a premature announcement that discussions were taking place about his future.

The new leadership at Ladbroke is expected to take steps to improve its communication with investors and the press in an attempt to avoid such mishaps. It is thought that many in the group now accept that its traditional reticence has led outsiders to assume the worst about its fortunes.

Among other changes likely to take place is a more active property disposal programme.

Greycoat shareholders approve rescue plan

By Peggy Hollinger

Greycoat won a new lease of life yesterday when shareholders overwhelmingly approved an £86m rescue plan presented by South African financiers, the UK Active Value Fund.

The agreement came just one week before trustees of the property company's zero coupon bond holders were due to pull the plug.

Greycoat is now believed to be preparing an approach to work with Postel, the suitor whose £120m rescue plan was rejected by investors in October.

It is thought that Greycoat will seek to implement some of the ideas discussed with Postel as part of its original rescue package. There has been some speculation that in the longer term, the pension fund group might join forces with Greycoat on the Paternoster Square development, near St Paul's Cathedral in London, among other sites. Postel also has a property portfolio worth £2.3bn which it is keen to exploit.

In the past, Postel has developed its property through joint ventures. Such a strategy would suit the revived Greycoat, which will in future seek to fund its developments on a project by project basis.

Greycoat is expected to set up joint ventures, in which it would provide the site and/or development expertise. Financing would come from joint venture partners. Postel's strength lies on the financing side, with a £23bn fund at its disposal.

Neither party would comment on such a proposal. Mr Alaistair Ross Goobey, chief executive of Postel, said yesterday he was not bitter about the decision by shareholders to accept the UKAV offer over his own. "I am delighted the company has been rescued. It has a good future with a first class portfolio," he said.

Mr Geoffrey Wilson, Greycoat's chairman, said the company was now "back on a completely sound financial footing". Greycoat had an existing portfolio which would generate organic growth even "without looking for more business," he said.

Each of the group's four classes of stakeholder voted in favour of the financial restructuring which will result in a 37 per cent reduction in borrowings to £234.5m, raise £86m before expenses and remove the breaches of covenant which threatened to sink the group. The deal also allows preference holders to convert all or part of their shareholding into ordinary shares.

Postel is expected to have a stake of about 8.5 per cent in the company after the rescue deal. The other two largest shareholders will be UKAV, which will have between 22 per cent and 48 per cent, and Schroders.

Asda disposes of Allied to Carpetland in equity deal

By David Blackwell

Asda has sold its Allied business to Carpetland in a deal that will create the biggest carpet retailer in the UK.

Under the deal, Asda has subscribed for £8m of ordinary shares in Carpetland, which was acquired from the Lowndes Queensway receivers in a £12m management buy-out in 1991. This will give Asda an initial 40 per cent equity interest in the enlarged group, which will have 200 stores and be renamed Allied.

Asda's interest in the group can be increased to not more than 50 per cent, depending on the realisation value of Carpetland on a flotation or trade sale.

Asda, the UK's fourth largest grocery chain, has emerged from severe financial difficulties at the end of the 1980s determined to concentrate on its core business.

Mr Archie Norman, chief executive, described the disposal as "a problem solved. Allied has been in decline for a number of years and threatened further losses."

In the last two financial years the Allied business, which has soaked up more than £100m of investment since the late 1980s, incurred operating losses totalling £17.7m.

Carpetland made operating profits of £771,000 on turnover of £54.5m in the 12 months to the end of January. Mr Ray Nethercott, managing director, said that this year, before the acquisition, the company had been expecting profits of £2.5m on sales of £80m. "Business has been flying in the last 12 months," he said.

Mr Nethercott stated that there was "real commercial logic" in the deal.

The combined group would have turnover of about £200m a year. He expected to have the group showing healthy profits in 18 months through cost saving measures, particularly on marketing and advertising. He hoped to bring the company to market "within three years."

As part of the deal, CINVen, the venture capital group and existing majority shareholder in Carpetland, is subscribing for £5m of 12¼ per cent preference shares and Asda is subscribing £10m of 12¼ per cent redeemable loan stock.

In the profit and loss account Asda will take a write-off of about £70m, mainly reflecting the total book value of its historic investment in Allied and Maples. It will also make a charge of £53.3m goodwill.

Mr Norman, who joined Asda 20 months ago, said he was pleased with the deal, which took another distraction away from management. Asda's debt had fallen from £700m to well below £100m since he joined. He expected to sell the 20 remaining Maples stores, "within the next two months."

See Lex

Carpet distribution a 'jungle'

Carpet distribution in the UK "has been described as a jungle", according to a recent report from Mintel, the market research organisation. It is "highly fragmented with a large number of independent retailers and a small number of multiple operators", writes David Blackwell.

Allied Maples was the largest single outlet, followed by Carpetright, with 116 stores and a turnover of about £78m in the year to end-May. Carpetright was set up in 1988 by Sir Philip Harris, former chairman of Harris Queensway, with MFI, and was floated on the Stock Exchange last June.

An estimated 9,500 outlets sold floor coverings last year, including just over 6,000 independent retailers. About 2,200 stores were owned by multiples, with the remaining 1,300 belonging to voluntary buying groups such as AIS, Florcat and Green Group, as well as department stores and DIY sheds.

Mintel estimates that retail sales this year of machine made rugs and carpets will reach £1.35bn, up from last year's £1.3bn but still below the peak of £1.5bn in 1989. The market has been affected by fragile demand and price discounting which has curbed margins for both manufacturers and retailers.

The multiples deal direct with producers, and have the upper hand. The independent retailer either buys from a carpet wholesaler or belongs to a voluntary buying group. Wholesalers distribute 30 per cent of carpets and are reliant on the performance of the independent sector.

Barclays acquire Southend Property stake

By Tim Burt

The Barclay brothers, the reclusive property developers and publishing entrepreneurs, have taken a 12.4 per cent stake in Southend Property in part payment for one of their investment vehicles.

Twins Mr Frederick and Mr David Barclay have agreed to sell Trenport Properties, a wholly-owned subsidiary of their Ellerman Investments company, to Southend for £31m.

Southend said yesterday that the Barclays were taking 13.3m new ordinary shares of 5p each, while the remainder of the purchase price would be met with £12m in cash and £7m from the issue of £6.19m of convertible unsecured loan stock.

Mr Michael Hickey of Paribas, the brokers overseeing the transaction, said negotiations with the Monaco-based Barclays began last summer in the south of France, where Southend chairman Mr Malcolm Dagul owns a property.

The Barclays are thought to have been seeking a buyer for some time for Trenport, which they bought for an undisclosed sum in 1988 from Bond Corporation, the former vehicle of bankrupt Australian businessman Mr Alan Bond.

Welcoming the Barclays' shareholding, Mr Dagul said the brothers had undertaken to retain their stake as a medium-term investment and he was hopeful of "other deals" with them.

He said that the addition of Trenport's three properties in Birmingham, London and Godalming would increase the size of Southend's portfolio by 15 per cent.

Together the properties – totalling 250,000 sq ft of office and leisure space – are expected to generate rental income of £2.9m next year.

"We see a lot of potential in these properties and this transaction could lead to further acquisitions," he said.

Southend was able to seek new acquisitions because it had built up cash balances of £40m from property sales and a loan stock issue in June, he added.

The company, meanwhile, also announced an increase in pre-tax profits from £1.23m to £1.78m for the six months to September 30.

The results were achieved on reduced turnover of £12.7m (£18.2m). Earnings increased to 1.23p (0.67p), while the interim dividend is reduced from 1.52p to 0.8p.

ICI in talks over sale of US arm

By Andrew Bolger

Imperial Chemical Industries is in talks to sell its Arizona-based Fiberite Composites Business, the last significant legacy of the UK chemical giant's unsuccessful venture into advanced materials.

ICI said market rumours had forced it to announce the possible disposal. If and when a deal was concluded, it would involve the writedown of about £100m, including £77m of purchased goodwill. However, ICI refused to identify the prospective buyer or the price. The shares closed 7p lower at 761p.

Fiberite, which employs about 800 people in the US and several dozen in Germany, produces thermo-set materials in their unfinished state, or pre-pregs.

Fiberite was bought in 1984 as part of ICI's $750m acquisition of Beatrice Chemical of the US. Pre-pregs, made of woven carbon fibres and resin, are used to make aeroplane parts such as tail fins and wing flaps.

ICI decided to get out of advanced materials before the restructuring process which saw the hiving off of its pharmaceuticals arm earlier this year to create Zeneca. ICI said yesterday: "Advanced materials have not fulfilled the growth potential we saw in them in the 1980s."

Analysts said ICI was at a competitive disadvantage in the manufacture of pre-pregs because it had to buy most of the feedstocks from rival chemical groups.

One said ICI produced a insignificant proportion of the added value in thermo-set, so the intrinsic profitability was small.

Fiberite last year made an operating loss of £10m on sales of £94m.

Lossmaking Ossory unveils rescue package

Ossory Estates yesterday unveiled proposals for a financial restructuring, a placing and open offer to raise £8m net and the acquisition of a portfolio of properties.

The company also estimated that pre-tax losses for the year to end-June would total not more than £41m. That included a write-off of investments amounting to £22m, the writing down of properties under development totalling £2m and interest and other charges accounting for £16.2m.

The directors believed the restructuring proposals represented the "only realistic prospect" for shareholders obtaining any value from their holdings of ordinary shares.

They warned that if the proposals were not implemented and no alternative proposal put forward Ossory would be unable to continue trading with the result that it would have no alternative other than "insolvent liquidation, administration or receivership".

The placing and open offer would involve the issue of 835m new ordinary 1p shares at 1p each. The maximum number of shares available for subscription under the open offer would be 408m with clawback terms of 9 new ordinary 1p shares for every two 25p shares held.

The 25p shares would then be sub-divided into one new 1p share and one 24p deferred share. Following the reorganisation the £73m deficit on the profit and loss account would be reduced to about £25m via the cancellation of the deferred shares and the share premium account.

The acquisition is of six commercial and industrial properties for £2.83m in cash and shares.

The shares closed 1p lower at 1¼p.

Bombardier deal tied to success of Channel tunnel

By Charles Batchelor, Transport Correspondent

Bombardier, a Canadian supplier of trains for the Channel tunnel, is to receive some £190m in compensation from Transmanche Link, the main contractor, to cover the cost of design changes it had to make.

The boards of the two companies and of Eurotunnel, the operator of the cross-Channel link, yesterday gave their formal approval to a preliminary agreement reached at the end of last month.

The agreement has been designed to link payments with the success of the project and to tie Bombardier into the start of services through the tunnel.

ESC Wagons, the company set up by Bombardier to build the trains, will receive FFr700m (£80m) in phased cash payments and up to 25m new Eurotunnel shares. At the closing price of 463p, a rise of 8p, last Friday these shares would be worth £116m, making a total payment of £196m.

"This agreement ties the fortunes of Bombardier to the fortunes of Eurotunnel," Mr André Bénard and Sir Alastair Morton, chairmen of Eurotunnel, said in a statement.

The cash payments will be phased over the period during which the trains are delivered, while Bombardier has agreed not to sell any Eurotunnel shares until all the trains which it is supplying have been commissioned.

Betterware shares fall on boardroom changes

By Peggy Hollinger

Shares in Betterware fell 10p to 148p yesterday as the home shopping company announced the appointment of a new finance director to replace Mr Terry Hockley, who is to lead the group's expansion overseas.

The shares have fallen from a six month high of 278p in recent months. The decline has been fuelled by the downgrading of 1994 annual profits after increased interims, decisions by the founding Cohen family to reduce its holding from 63.4 per cent to 50.3 per cent at a price of 230p a share, and a large overhang of stock.

The company stressed that Mr Hockley had been "promoted to international director". Betterware, which is facing a mature market in the UK, is seeking to expand in Europe. It entered the French market about two years ago, Spain earlier this year, and plans to set up in Germany next year.

Mr Hockley, who has been Betterware's finance director since 1990, had "extensive international experience over many years", the company said, including US multi-nationals Textron, Burlington and United Technologies.

Mr Peter Hartley, former finance director and subsequently managing director of Texas Homecare, will succeed Mr Hockley. Mr Hartley, a chartered accountant, left Texas in July.

Mr Andrew Cohen, Betterware chief executive, said Mr Hartley's appointment "adds further strength to our board and allows Terry to concentrate on our continuing thrust into the European market."

Resignations called for at Bristol Scotts

The gloves are off in the battle for control at Bristol Scotts, the stadium and restaurant group wracked by shareholder dissent, writes Peggy Hollinger.

Mr Ian Stevens, head of the company's pubs division, whose family own just over 20 per cent of the shares, yesterday called for the resignation from the board of three members of the Kerman family, which has controlled the company for decades. Mr Stevens made the call in a letter to the company in which he withdrew an earlier request for an EGM to vote on appointing himself and fellow shareholder Sir Ian Rankin to the board.

He has requisitioned a second EGM at which he proposes to remove Mr Anthony Kerman and Mr Nicholas Kerman, directors, and Mr Isidore Kerman, chairman. He has called for the resignation of company solicitors, Forsyte Kerman, and again proposed the appointment of himself and Sir Ian.

Meanwhile, the High Court is expected to rule on Monday on the voting status of 830,000 Bristol Scott shares – 12 per cent of the company – sold by Mr Nicholas Kerman to the investment vehicle Mayfair Capital which sold them on to Mr Nicholas Berry. The Kermans are claiming to have an option to buy the shares back from Mayfair. Mr Berry has said that if allowed to vote he will vote for the appointment of Mr Stevens and Sir Ian.

Celltech undersubscribed

Celltech, the emerging bio-technology company, received applications for 1.84m of the 7m shares available to the public in its flotation.

Last week, Celltech successfully placed the entire 20m shares, raising £50m.

Celltech said yesterday the shares were not expected to be a short-term investment. The flotation raised £27.3m after expenses.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adare Printing	Int	0.945‡	Mar 4	0.9	-	1.89
Gartmore Scot	Int	2.4☆	Feb 25	2.4	-	10
Umeco §	Int	0.75	Feb 14	0.75	-	1.75

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence. ☆ First quarter dividend.

Ferranti job losses played down

By Andrew Jack

The receivers to Ferranti International, the UK-based defence electronics group which collapsed on Wednesday, yesterday played down suggestions that up to 14 per cent of the worldwide workforce may lose their jobs.

In plans drawn up by management in advance of the company's collapse after the General Electric Company withdrew its takeover bid, 500 employees of the 3,600 workforce were being considered for redundancies.

The team of more than 60 receivers from accountants Arthur Andersen have been holding meetings with union representatives to prepare them for possible job losses. Most of the losses would be in the UK, which has a workforce of about 3,000.

However, Mr John Talbot, one of the joint receivers and head of insolvency at Andersen, said: "We are optimistic about the group and the ability to sell many businesses as going concerns."

He said he had received "lots of expressions of interest" from possible buyers of Ferranti businesses, but that he would not be considering any serious offers until after he had completed more detailed investigations and developed a strategy for the company's future.

Sales of some parts of the group would need clearance from the Ministry of Defence because many contracts are for highly sensitive military equipment.

A number of companies within the Ferranti group are continuing to trade and have not entered receivership, including the joint ventures and most of its overseas operations.

Mr Talbot also confirmed suggestions that he would consider demanding more money from customers on any loss-making contracts Ferranti was currently undertaking. He said it was "quite possible" that some customers had already been approached to discuss the position.

Bokaemper to head Forte hotels

By Michael Skapinker, Leisure Industries Correspondent

Forte has appointed Mr Stefan Bokaemper, a senior executive with Inter-Continental Hotels, to head its luxury hotels division.

The appointment of Mr Bokaemper follows Forte's failure earlier this year to persuade Mr Willi Bauer, former general manager of the Savoy Hotel, to take the job. Mr Bauer said the post would have involved too much travelling.

Mr Bokaemper is currently Inter-Continental's executive vice-president in the Asia-Pacific region. He has been with the company for 26 years and will become managing director of Forte's exclusive hotels division. This is made up of 16 hotels, including the Hyde Park Hotel in London, the George V in Paris, the Ritz in Madrid and the Sandy Lane in Barbados.

Mr Rocco Forte, Forte's chairman, has said he would like to merge the division with the Savoy group's hotels. Forte holds a majority of the Savoy's shares but a minority of voting shares.

Forte is also in talks to take over the management of Ciga, the Italian-based luxury hotels group.

NEWS DIGEST

Dares Ests agrees refinancing

Dares Estates, the property investment and development group, has reached agreement with its principal lenders for a restructuring of its banking arrangements.

The deal, which is subject to shareholders' approval, also involves a reorganisation of the company's share capital.

Under the terms of the agreement, the main creditors will convert a proportion of the debt into preference shares and extend the maturity date of the balance.

At a later date the new preference shares will be convertible into ordinary equity, which if fully taken up, would give lenders some 39 per cent of the enlarged share capital.

Charles Saatchi quits board

Mr Charles Saatchi has resigned from the board of the holding company of which Saatchi & Saatchi, the advertising agency he founded with his brother Maurice in 1970, is a part. He is to become honorary president of the company and will "concentrate on his creative role for the group".

AAH expands pharmacy side

AAH, the diversified distribution company, has acquired Foster & Plumpton, an operator of 20 retail pharmacy outlets in Yorkshire and Humberside, for an initial £12.5m.

Consideration will be met via £7.3m in ordinary shares with the balance in loan notes. An additional sum not exceeding £500,000 is dependent on valuation of the net assets being acquired.

For the 12 months to September 30 1992 F&P returned profits before tax of £212,000. Net assets at that date totalled £838,000.

AAH estimated that F&P would contribute profits (before financing costs) of not less than £1.5m for the year to March 31 1995 as a result of reduced overheads and operational synergies.

Explaura Holdings cuts loss to £1.1m

Reduced pre-tax losses of £1.1m were announced by Explaura Holdings for the half year to June 30. Losses last time for the USM-quoted company, which quarries limestone aggregates in Newfoundland, Canada, were £1.7m.

The loss reflected an extremely low level of activity, the company said, with sales restricted to existing stocks at its New York terminal.

However, following the settlement in September of the strike which hit the concrete industry in New York, record daily sales were being achieved and the terminal was operating at maximum capacity.

Turnover in the period halved to £585,000 (£1.1m). Losses per share fell to 0.72p (1.15p).

Umeco advances to £154,000 at midway

Umeco, the USM-quoted aerospace components distributor and maker of aircraft refuellers, reported pre-tax profits up from £53,000 to £154,000 for the six months to September 25.

The improvement was achieved on turnover up by £451,000 to £6.01m.

The directors said that the raising of £1.04m earlier in the year had left the group with net assets of £3.5m and net cash of £500,000 after a term loan of £375,000 at the end of the half.

As a result Umeco had interest receivable of £5,000 in the period (£54,000 charge). Earnings per share came out at 1.1p (0.6p) and the interim dividend is maintained at 0.75p.

Baird to make £3m deferred payment

William Baird, the textiles and engineering group, has confirmed that the additional consideration of up to £3m for the acquisition of Richard I Racke, will be settled in full on March 31 1994 in accordance with the timetable agreed.

Baird said it was satisfied the profit targets would be met and now wanted to proceed with the merger of Racke with its existing own-label women's wear activities.

Adare Printing jumps to I£419,000

Adare Printing, the Dublin-based printing group, more than doubled pre-tax profits to I£419,000 (I£407,000) on turnover of I£12.6m in the half year ended October 31. Profits last time amounted to I£175,000 on sales of I£4.58m.

The results included a three month contribution from Waddington Business Forms, acquired in July.

Mr Denis Bergin, chairman, said the profits growth was held back by initial costs of developing and streamlining the acquisitions. He said further restructuring would take place and the acquisition search would continue.

The interim dividend is lifted to 0.945p (0.9p), payable from earnings per share of 5.87p (3.34p).

YRM shares fall on profit warning

Shares in YRM fell a further 2p to 19p yesterday after the building design consultancy announced that its results for the six months to October 31 would be significantly below current market expectations.

It said that trading conditions had remained extremely difficult and further cost and overhead reductions had accordingly been made.

On Thursday the shares shed 8p, which the company said it understood was the result of a small volume of selling in the market.

For the year to April 30 YRM incurred pre-tax losses of £1.98m.

Govett Endeavour net assets fall

Net asset value per share at Covett American Endeavour Fund, the Jersey-based investment concern, fell to 155 cents as at September 30, compared with 170 cents a year earlier.

Total income for the six months rose from $5.82m to $6.19m (£4.15m) while net revenue came through ahead from $3.4m to $4.68m.

Earnings per share were 8.6 cents (6.25 cents) and the interim dividend is unchanged at 5.52 cents.

هكذا من الأصل

French banks to take leading roles in Euro Disney debt talks

By Alice Rawsthorn in Paris

The Euro Disney banks have formed an official steering committee to represent them in the negotiations towards an emergency financial restructuring package for the ailing leisure group.

The committee, which includes 11 of the 60 international banks that own Euro Disney's FFr20.3bn ($3.45bn) net debt, plans next week to meet representatives of Euro Disney and Walt Disney, its US parent company, in order to begin discussions over the restructuring.

The formation of the steering committee should enable the restructuring negotiations to get under way. "This is going to be a very tense, complicated affair," said one of the members. "The sooner we start talking to Disney in earnest the better."

Banque Nationale de Paris and Banque Indosuez, the French banks, will take leading roles in the steering committee.

BNP is the head of the 1989 banking syndicate that provided loans to Euro Disney to finance the construction of the Euro Disneyland theme park. Indosuez led a second syndicate in 1991 which lent money to build the park's hotels.

The other French banks on the steering committee are Crédit Agricole and Crédit National. Caisse des Dépôts, the state-controlled French financial institution will also be involved, although it is negotiating independently with the Disney camp over the terms of its FFr4.8bn fixed interest rate loans.

JP Morgan and Citibank, the powerful US banking groups, are also represented on the committee: as are Deutsche Bank of Germany, Barclays and National Westminster of the UK and LTCB of Japan.

Walt Disney, advised by Lazards in New York, last month laid out its case to the creditor banks at a special meeting in Paris. It hopes to halve Euro Disney's debt to around FFr10bn by persuading the banks to exchange part of their loans for equity and by staging a rights issue.

However, the banks are anxious to ensure that Walt Disney will play its part in alleviating the financial strain on Euro Disney, which is advised by *SG Warburg in London.*

The steering committee is next week expected to table proposals for Disney to reduce its royalty entitlement from Euro Disney.

Sweden to privatise state forest interests

By Christopher Brown-Humes in Stockholm

Sweden yesterday unveiled its biggest privatisation to date when it announced plans to raise between SKr5bn ($588m) and SKr8bn from the sale of a 49 per cent stake in a new grouping of state forestry interests.

It also signalled it was aiming to sell off Pharmacia, the pharmaceuticals group which used to be part of Procordia, in May or June next year.

This probably means that plans to privatise two other state-owned groups, Nordbanken and the electricity giant Vattenfall, will be deferred beyond next September's general election.

The forestry company, which will be one of Europe's top 10 pulp and paper groups, has a market value of between SKr10bn and SKr16bn, according to Mr Per Westerberg, the Swedish industry minister.

It will be privatised in the spring, once three existing forestry groups – Assi, Domän and Ncb – have been combined. Assi and Doman, both 100 per cent state-owned, are to combine at the year-end before making an all-share bid for Ncb, in which the state holds 51 per cent, in February or March.

Most of the shares in the group are to be offered to the Swedish public. This follows heavy criticism of Sweden's last privatisation when the public offered to buy 80m shares in the defence group Celsius, more than 17 times the 4.6m shares allotted to them.

The new group will have annual sales of SKr15bn making it nearly as big as MoDo, Sweden's third largest forestry company. It will be Sweden's largest forest owner and its biggest producer of sawn timber products.

Pharmacia, the next privatisation candidate, is Sweden's second largest pharmaceuticals group after Astra. It is 46 per cent state-owned, after Volvo and the government, Procordia's main owners, agreed to divide the company last month.

Pricing crucial for Credito Italiano

Haig Simonian examines prospects for Italy's first big privatisation

At 4pm this afternoon, potential shareholders in Credito Italiano, Italy's seventh biggest bank, will learn how much the government expects them to pay for the 840m shares being put on the block in the country's first big privatisation.

Making the Credito Italiano flotation a cast-iron success is essential for the credibility of Italy's long-delayed privatisation programme.

A keen price for Credito Italiano is a must for many reasons. In spite of the L10bn ($5.8m) advertising budget and an unprecedented selling campaign, next Monday's opening day of the flotation is far from ideally timed in view of the difficulties facing the bank and the Italian economy.

This year will be one of the toughest on record for the banking sector. Analysts expect heavy provisions on loans to recession-hit industry and a squeeze on margins because of falling interest rates. Large rises in fee-related income thanks to the buoyant stock and bond markets will counter the impact, but profits will remain subdued.

Credito Italiano is heavily exposed to some of Italy's most serious corporate crises, notably Ferruzzi, as well other prominent rescue candidates. Ominously, the draft prospectus warns: "Provisions for possible loan losses in 1993 will be much higher than in 1992 and exceed amounts deductable for tax purposes."

The less than ideal timing, coming before even preliminary 1993 figures for the bank are released, is accentuated by the turbulent political climate. Next week, the sparks are likely to fly in Rome as parliament gets to grips with the 1994 budget.

General elections are expected to follow before long. The poll, forecast for early next year, will mark a crucial step towards the renewal of Italy's political class, largely discredited by corruption scandals.

In the meantime, the stock market will remain a hostage to any of a thousand imponderables on the political front.

Credito Italiano's privatisation is also a pace-setter for other deals over the next two years. In February, the treasury is to sell up to 30 per cent of Istituto Mobiliare Italiano, the Rome-based financial services group. That will be followed within weeks by the flotation of IRI's majority stake in Banca Commerciale Italiana, another big bank, and by a first tranche of the Ina state insurance group.

If all goes to plan, 1994 will close with the privatisation of a stake in the Enel electricity generating authority.

This week, the treasury appointed Mediobanca, the Milan merchant bank, and Merrill Lynch of the US as global co-ordinators for the deal. The year after should see the privatisation of the Stet telecommunications group and most of the energy assets of the Eni energy and chemicals concern.

A successful sale of Credito Italiano's shares would set the tone for subsequent transactions.

"If investors find themselves with a tidy premium, they'll obviously be more likely to put up money for the other deals," notes one experienced UK public relations man advising the treasury.

By contrast, a flop would cast a shadow over the entire privatisation process. Many investors recall the March 1992 flotation of an initial 20 per cent of Istituto Bancario San Paolo di Torino, the big Turin bank. After trading briefly at a premium, the shares soon fell below the issue price and have not recovered since.

The need for a success is accentuated by Italy's extremely tight timetable for privatisation. IMI is due to make its debut barely two months after Credito Italiano and BCI will follow within weeks. "Investors will have to have exceptionally short memories to prevent them being influenced by a Credito Italiano flop. The treasury has got very little margin for error," says one Milan analyst.

To some extent, matters are outside the government's control. The political scenario is so strewn with potential booby-traps that trying to steer round them appears pointless to many. Further signs of polarisation in voting patterns in Sunday's mayorial run-off elections; a surge in support for the neo-fascist MSI party; or inflammatory statements from the autonomist Northern Leagues could all give investors a fright and set the bourse tumbling.

At least Mr Achille Occhetto, leader of the Democratic Party of the Left, (the former Communists), which performed strongly in last month's partial municipal elections, has pledged to support the government in getting the 1994 budget through parliament.

Given the risks, the treasury may veer towards generosity in pricing Credito Italiano. This week, the marketing machine has moved into full swing, with plentiful hints that the offer will be oversubscribed. Were Italy on its 10th privatisation, ministers could afford to be tough on pricing. In the circumstances, discretion may be the better part of valour.

BCE pays $275m for stake in US cable TV

By Robert Gibbens in Montreal

BCE, Canada's biggest company, has finally sold its financial services and property interests and is investing in US cable TV in preparation for the multi-media age.

BCE will now be solely a telecommunications group with large international interests in the Americas, Europe and Asia. It controls 54 per cent of Northern Telecom, the international equipment make.

"Our policy is to pursue leadership in telecommunications," said Mr Lynton Wilson, chairman.

The group is paying US$275m for 30 per cent of Jones Intercable, a Colorado-based cable TV operator with a subscriber base of 1.3m homes in 24 states and cable investment in the UK and Spain.

BCE has an option to take 51 per cent of Jones and will invest in its expansion.

BCE said the move gives it a major presence in the US home entertainment market without making a "blockbuster investment of the kind that some US telephone companies have made". It already has cable TV investments in the UK.

In addition BCE has sold its fully-owned loss-making financial services unit, Montreal Trustco, Canada's fourth biggest trust company, to the Bank of Novia Scotia for nearly C$300m in the bank's stock. The deal includes all MT assets and liabilities except C$100m of office buildings.

BCE is expected to sell the bank shares and the office buildings. It paid C$1bn for MT in 1989 as a diversification, including a recent capital infusion. It will take a C$400m write-down to cover its losses on the deal.

BCE is disposing of its remaining property interests to Carena, a Hees-Edper holding company, for a nominal sum. This will require a C$350m write-down.

BCE's total write-offs for 1993, including C$940m for its share of Northern Telecom special charges, will total almost C$1.7bn.

Hoogovens share issue set to raise Fl 330m

By Ronald van de Krol in Amsterdam

Hoogovens, the Dutch aluminium and steel group, has priced its issue of 8.3m new shares at Fl 40 ($21) each to raise about Fl 330m towards bolstering its balance sheet.

The retail phase of the two-phase offer opened yesterday and is due to close on Tuesday. If demand is heavy, some shares earmarked for institutional investors and the Dutch state will be clawed back for sale to private investors.

The first phase of the offer, a private placement of shares with institutions and the Dutch state, was oversubscribed when it closed on Thursday night.

The company said the institutional placement had achieved a good spread between the Netherlands and overseas investors but it gave no further details.

The state's participation could raise the national government's stake in Hoogovens to a maximum of around 17 per cent from the current 12.3 per cent.

However, the decision by the city of Amsterdam to sell its 5 per cent stake in Hoogovens to institutional investors in the summer means overall ownership by public authorities will be no higher than it was before.

Delay on super-share ruling

By Nikki Tait in Sydney

Mr Rupert Murdoch's News Corporation will not know until next year whether it is permitted to issue its controversial "super-voting" shares.

After a meeting yesterday between the Australian attorney-general, Mr Michael Lavarch, and Mr Laurie Cox, head of the Australian Stock Exchange, the ASX said that if it decided to alter listing rules to accommodate News Corp's request, it would first issue a formal "exposure draft", detailing the proposed changes.

There would then be an unspecified period during which comments would be sought. The attorney-general would then have 28 days to allow or disallow the decision.

This process means that no rule change could come into effect until well into 1994. The ASX is shifting through about 60 responses to its earlier discussion document, dealing with principles underlying differential voting rights. The earliest date on which it might consider the results of this process is December 21 – but it now seems likely that even that determination will be pushed back to late January.

In any event, the subsequent comment period on the exposure draft will ensure that no rule change becomes operative until well into the new year.

The attorney-general's office, meanwhile, said it planned to set up an "expert advisory" group, to look at the issues surrounding the introduction of differential voting rights and the implications for public policy. Membership of the group will be announced shortly. The group would be expected to participate in the comment period following publication of an exposure draft.

Mr Murdoch in October first outlined his plans to issue "super voting" shares – ones with multiple voting rights – on a pro rata basis to existing shareholders. But the scheme has generated enormous controversy, with critics claiming it would serve to entrench the Murdoch family at News, at the expense of other shareholders. News, by contrast, has argued that the scheme is required so that it can pursue joint ventures without management becoming vulnerable.

Fike to retire as president of Ford of Europe

By John Griffiths

Ford of Europe's president, Mr William Fike, is to retire at the end of the year, when the post of president will effectively be abolished.

Mr Fike's responsibilities in the areas of manufacturing, sales and product development are to be redistributed among Mr Jacques Nasser, who took over as Ford of Europe's chairman at the start of the year, and members of the business management committee, which reports to Mr Nasser.

The committee includes vice-presidents such as manufacturing director Mr Albert Caspers, who is also chairman of the German company, Ford-Werke.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Iraq fears send oil to 5-year lows

THE OIL market ended a nervous week with a tentative recovery from fresh five-year lows reached early yesterday.

As with other recent setbacks, the morning selling that pushed the February futures price to $13.85 a barrel at one point was linked to concern about the prospect of Iraq returning to the market sooner rather than later. In late trading, however, the price had moved up to $14.07 a barrel, down 9 cents on the day and 68 cents on the week.

Last week's downward reaction to the failure of the Organisation of Petroleum Exporting Countries's ministerial meeting to agree on production cuts continued on Monday, pushing the February futures price down another 35 cents to $14.40 a barrel.

Tuesday saw prices staging a modest recovery for most of the day, but that was reversed in late trading after Iraq announced that it might negotiate with the United Nations about a one-off sale of $1.6bn worth of oil to finance humanitarian aid and compensation to victims of the 1990 invasion of Kuwait. It had earlier rejected this idea, seeking instead a permanent easing of UN export sanctions.

Prices steadied on Wednesday but moved sharply lower again on Thursday as the fears about Iraqi sales adding to the present oversupply returned to the fore.

At the London Metal Exchange copper led a general rise in base metals prices. Having broken through technical resistance on Thursday the three months copper price climbed to $1,688.50 a tonne before backtracking to $1,679.75 at yesterday's close, up $24.25 on the week.

Aluminium prices took a prominent part in the rally until they succumbed yesterday to disappointed selling following the overnight announcement that no specific production cuts had been agreed at inter-government talks in Washington.

At the two-day meeting US, Russian, Australian, Canadian, Norwegian and European Union officials had discussed ways of easing the severe oversupply that has been driving aluminium prices lower since the collapse of the Soviet Union released a flood of metal from the former Eastern bloc (chiefly Russia). There had never been much hope of substantial progress being made at this stage, but news that the delegates had succeeded only in identifying objectives and had deferred consideration of practicalities to follow-up talks scheduled for January 18-19 nevertheless prompted a sharpish market sell-off.

By yesterday's close the LME three months delivery price, which climbed as high as $1,088 a tonne on Thursday, was quoted at $1,075.75 a tonne, down $9 on the day but still $17.25 up on the week.

Lead was once again the strongest LME market, with prices maintaining the strong upward trend that began late last week. The three months price closed yesterday at $446.50 a tonne, up $18 on balance but $2.50 below the seven-month high reached on Thursday. Dealers attributed the market's strength to increased demand from car battery makers and tightness of supplies of lead concentrate (an intermediate material).

The London Commodity Exchange cocoa market struggled to build on recent gains as fresh harvest news was awaited from west African growing regions. The March futures position edged up to a 5¾-year high of £1,064 a tonne yesterday afternoon and ended £8 up on the week at £1,061 a tonne.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close) tonnes

Aluminium	+3,900	to 2,385,450
Aluminium alloy	-140	to 49,060
Copper	+1,925	to 592,425
Lead	-875	to 238,075
Nickel	+960	to 119,904
Zinc	+6,050	to 870,575
Tin	+130	to 19,125

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993 High	1993 Low
Gold per troy oz.	$376.00	-1.00	$334.45	$405.75	$326.05
Silver per troy oz	321.50p	+6.00	239.05p	362.50p	236.00p
Aluminium 99.7% (cash)	$1055.50	+17.5	$1178.50	$1240.00	$1023.50
Copper Grade A (cash)	$1657.00	+23.5	$1401.00	$2375.00	$1108.50
Lead (cash)	$433.50	+18.00	$294.5	$460.00	$361.50
Nickel (cash)	$4725.50	+48.0	$5630	$6340	$4043.5
Zinc SHG (cash)	$937.50	+13.0	$1072.50	$1112	$868.0
Tin (cash)	$4715.00	+92.5	$5785	$6047.5	$4340.0
Cocoa Futures Mar	£1061	+8	£721	£1061	£663
Coffee Futures Jan	$1260	-6	$1000	$1297	$836
Sugar (LDP Raw)	$271.60	+8.20	$220.60	$317.4	$204.5
Barley Futures Mar	£105.75	N/C	£130.75	£110.30	£101.50
Wheat Futures Mar	£101.80	+0.15	£132.00	£149.45	£99.65
Cotton Outlook A Index	57.00c	+0.80	54.10c	62.35c	54.15c
Wool (64s Super)	339p	-5	420p	403p	319p
Oil (Brent Blend)	$13.87x	-0.59	$18.25	$19.53	$14.46

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Jan.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1055-6	1075.5-6
Previous	1064-5	1084.5-5
High/low		1083/1074
AM Official	1054.5-5	1075-5.5
Kerb close		1077.5-8
Open Int.	269,892	
Total daily turnover	37,685	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	922-7	945-50
Previous	927-9	960-1
High/low		
AM Official	922-5	1075-5.5
Kerb close		945-50
Open Int.	2,566	
Total daily turnover	282	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	433-4	446-7
Previous	431-2	444-4.5
High/low		447.5/445
AM Official	433-3.5	466-6.5
Kerb close		445-5.5
Open Int.	28,860	
Total daily turnover	5,629	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4723-8	4780-1
Previous	4715-25	4770-80
High/low		4790/4775
AM Official	4722-3	4777-8
Kerb close		4785-90
Open Int.	48,907	
Total daily turnover	6,315	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4710-20	4760-70
Previous	4685-90	4735-40
High/low		4810/4745
AM Official	4720-5	4770-80
Kerb close		4770-5
Open Int.	15,218	
Total daily turnover	3,393	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	937-8	964-5
Previous	940-1	958-8.5
High/low	939	957/953
AM Official	939.5-40	957-7.5
Kerb close	[illegible]	[illegible]
Open Int.	[illegible]	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low		[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open Int.	[illegible]	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) [illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (100 Troy oz.; ¢/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls; ¢/US galls) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; ¢/US galls) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1233	-10	-	-	663	6
Jul	1163	-	-	-	216	-
Oct	1345	-	-	-	181	-
Jan	1340	-	-	-	54	-
Total					2,366	25

	Close	Prev
BFI		

SPICES
Nutmeg prices remained firm, reports Man Producten. Indonesian bwps were quoted at US$1,150 a tonne, shrivels at $1,400 and abcds at $1,550. Indonesian mace was available at $2,100 a tonne for both spot and shipment. Grenada defective nutmeg supplies were limited, with offerings at $1,200 a tonne, while Grenada suns were at $1,750 and mace at $1,900, all cif. Seasonal demand kept nearby prices firm. Indonesian cassia prices were unchanged. Madagascan cinnamom was quoted at FFr6.25 a kilogram, while Seychelles supplies were available at $1,400 a tonne, cif. Mexican pimento, spot, was offered at $2,100 a tonne, with shipment at $1,975. Jamaican spot supplies cost $2,300 a tonne and shipment $2,175, cif. The cloves market was weaker, with Madagascan and Commores shipment supplies offered at $780 a tonne, cif.

SOFTS

■ COCOA LCE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	65.20	+1.10	65.50	65.05
Oct	63.70	+0.45	63.70	63.70
Dec	63.40	+0.45	63.49	63.40
Total				

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	101.00	-0.20	101.05	101.00
Mar	103.65	0	103.75	103.50
May	106.25	+0.25	106.30	106.25
Jul	108.85	+0.25	109.50	108.75
Sep	110.40	+0.50	-	-
Nov	110.90	+2.00	110.90	110.90
Total				

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 3	Dec 2	month ago	year ago
1634.4	1638.1	1613.1	1671.8

■ CRB (Base: 4/9/56=100)

Dec 2	Dec 1	month ago	year ago
220.04	220.20	-	202.45

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	71.875	+.950	72.100	71.050	12,229	6,364
Feb	73.075	+.850	73.425	72.300	29,723	7,605
Apr	75.100	+.425	75.475	74.700	15,497	2,217
Jun	72.850	+.325	73.400	72.700	11,713	1,596
Aug	71.575	+.325	71.850	71.300	5,497	448
Oct	71.800	+.250	71.950	71.500	1,667	139
Total					76,734	18,497

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	44.600	0.450	45.075	44.525	3,994	1,400
Feb	46.400	0.100	46.750	46.025	10,201	1,835
Apr	46.650	0.250	47.200	46.550	3,985	714
Jun	52.100	+.025	52.400	51.875	2,926	295
Jul	51.850	-	52.050	51.450	766	50
Aug	50.450	+.075	50.500	50.150	597	30
Total					22,826	4,329

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Feb	52.400	+.500	52.800	51.300	5,632	1,903
Mar	52.525	+.675	52.700	51.350	1,070	131
May	53.100	+.650	53.500	52.300	765	110
Jul	53.100	+.375	53.650	52.500	714	72
Aug	51.150	+.600	51.400	50.400	132	81
Feb	-	-	-	-	-	-
Total					8,309	2,297

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1025	48	76	6	15
1050	31	59	14	23
1075	18	45	26	33
■ COPPER (Grade A) LME	Oct	Dec	Oct	Dec
1600	68	102	5	17
1650	32	69	19	33
1700	11	43	47	56
■ COFFEE LCE	Jul	Aug	Jul	Aug
1150	110	121	2	35
1200	67	91	9	55
1250	34	66	26	80
■ COCOA LCE	Sep	Dec	Sep	Dec
950	122	128	18	29
1000	87	96	33	33
1050	60	70	56	56
■ BRENT CRUDE IPE	Sep	Dec	Sep	Dec
1400	20	53	35	52
1450	5	33	73	-
1500	2	18	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)		+or-
Dubai	$12.17-2.29	-0.33
Brent Blend (dated)	$13.90-3.94	-0.25
Brent Blend (Jan)	$13.85-3.89	-0.28
W.T.I. (1pm est)	$14.89-4.91	-0.24

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$148-150	-3
Gas Oil	$156-157	
Heavy Fuel Oil	$56-57	-2
Naphtha	$137-140	-2
Jet fuel	$171-172	-0.5

Petroleum Argus Estimates

■ OTHER		
Gold (per troy oz)♣	$376.00	+1.05
Silver (per troy oz)♣	479.50c	+15.0
Platinum (per troy oz.)	$371.05	-2.95
Palladium (per troy oz.)	$123.00	-0.25
Copper (US prod.)	80.0c	
Lead (US prod.)	32.75c	
Tin (Kuala Lumpur)	11.89r	+0.16
Tin (New York)	220.5c	+3.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	120.17p	-0.54*
Sheep (live weight)†♠	89.65p	-1.86*
Pigs (live weight)	71.39p	+0.42*
Lon. day sugar (raw)	$271.6	+0.7
Lon. day sugar (wte)	$289.5	+0.5
Tate & Lyle export	£294.5	-0.5
Barley (Eng. feed)	£108.50y	
Maize (US No3 Yellow)	£129.0	+6.0
Wheat (US Dark North)	£175.0	
Rubber (Jan)♥	61.00p	-0.25
Rubber (Feb)♥	61.25p	-0.25
Rubber (KL RSS No1 Jul)	206.0m	
Coconut Oil (Phil)§	$520.0x	+7.5
Palm Oil (Malay.)§	$387.5y	+5.0
Copra (Phil)§	$342.5	+17.5
Soyabeans (US)	£199.0	
Cotton 'A' Index	57.00c	+0.15
Wooltops (64s Super)	339p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. z Jan. v Sep/Oct. t Dec/Jan. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	120.7200	-	6.84	6.80	6.59
Belgium		9.000	03/03	114.5800	-0.050	6.82	6.80	7.01
Canada *		7.500	12/03	105.0500	-0.150	6.79	6.86	6.91
Denmark		8.000	05/03	111.2700	+0.050	6.37	6.38	6.45
France	BTAN	8.500	05/98	109.1600	-0.050	5.35	6.08	6.10
	OAT	6.750	10/03	105.2300	+0.330	6.07	6.00	6.07
Germany		6.000	09/03	100.3700	+0.020	5.86	5.85	5.92
Italy		9.000	10/03	98.0000	+0.830	9.31†	9.23	9.48
Japan	No 119	4.800	06/99	110.8280	-	2.57	2.92	2.90
	No 157	4.500	06/03	109.0210	+0.390	3.26	3.54	3.57
Netherlands		6.500	04/03	104.6800	+0.050	5.83	5.84	5.88
Spain		10.500	10/03	112.7400	-0.090	8.54	8.54	8.72
UK Gilts		9.750	01/98	114-05	+10/32	5.79	6.08	6.23
		8.000	06/03	110-26	+15/32	6.46	6.70	6.93
		9.000	10/08	120-25	+10/32	6.76	6.99	7.28
US Treasury *		5.750	08/03	99-19	-	5.80	5.77	5.73
		6.250	08/23	99-21	+4/32	6.28	6.27	6.23
ECU (French Govt)		8.000	04/03	111.2700	-0.100	6.36	6.32	6.47

London closing. *New York mid-day. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) [illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF) [illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100% [illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% [illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100% [illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100% [illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) [illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100% [illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
117	1-40	2-05	1-24	2-31
118	1-09	1-42	1-57	3-04
119	0-50	1-19	2-34	3-45

Est. vol. total, Calls 2037 Puts 1807. Previous day's open int., Calls 44848 Puts 19572

Ecu

■ ECU BOND FUTURES (MATIF) [illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-26	115-26	-0.04	116-18	115-15	36,888	108,899
Mar	114-18	114-16	-0.03	115-08	114-06	252,870	192,885
Jun	113-17	113-15	-	114-04	113-08	2,676	8,020
Sep	112-26	112-18	-0.06	112-26	112-12	2,307	12,829

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% [illegible]

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

ECONOMIC DIARY – FORWARD EVENTS

TOMORROW: EU economic and general affairs councils meet in Brussels. Venezuelan presidential and congressional elections.

MONDAY: Japan and the US hold two-day bilateral trade talks in Tokyo. Credit business (October). EU foreign ministers meet in Brussels. Pacific rim conference in Kuala Lumpur. Interim figures from Scottish and Newcastle. Paterson Zochonis holds annual meeting.

TUESDAY: Japanese government announces new economic stimulus measures. Cyclical indicators for the UK economy (October). US consumer credit (October). EU monetary committee meets in Brussels. Deutsche Bank's interim statement.

WEDNESDAY: US wholesale trade (October). International bankers forum in Frankfurt. Mrs Benazir Bhutto, Pakistan's prime minister, pays three-day visit to Iran before visiting Turkey. Official start of work on the London Underground Jubilee Line extension.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. New earnings survey, Part F: Distribution of hours; joint distribution of earnings and hours; analyses of earnings and hours for part-time women employees. US producer price index (November). Mr Boris Yeltsin, president of Russia, visits Brussels for signing of letter of intent on co-operation with the European Union. Meeting of Black Sea economic organisation to discuss setting up a Black Sea trade and development bank in Sofia. Nato defence ministers meet in Brussels. Mediterranean conference on transport in Trieste (until December 10).

FRIDAY: EU summit meeting in Brussels at which Community leaders will discuss final positions on Gatt (until December 11). Balance of visible trade (October). Usable steel production (November). Construction output (third quarter). Short-term economic survey of enterprises in Japan published. Nationwide general strike expected to take place in Belgium. TML construction consortium due to hand over Channel Tunnel to operators Eurotunnel.

هكذا من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

Rates eased

The French and Spanish authorities took their cue from the Bundesbank yesterday to cut their interest rates by a quarter of a point, *writes Rachel Johnson.*

The French cut their intervention rate by 25 basis points to 6.2 per cent, while the Spanish central bank lowered its benchmark interest rate by the same amount to 9 per cent at its regular seven to twelve day repurchase tender.

■ **Pound in New York**

Dec 3	Latest	Prev. close
£ spot	1.4900	1.4840
1 mth	1.4877	1.4818
3 mth	1.4836	1.4777
1 yr	1.4723	1.4645

Both moves followed the Bundesbank's clearing of the decks for lower European interest rates with its 25 basis-point cut in the repo rate to 6 per cent on Thursday. The Bundesbank said the rate would not change until January 5, taking the steam out of market speculation of a cut on December 16.

The unexpected aspect of the French move was timing. The Bank of France announced the rate for its repurchase tender yesterday, days before it takes place on Monday.

In London, the French franc rose to close at FFr3.437 against the D-Mark, after a previous FFr3.446. Currencies which have had their interest rates cut over the past couple of days rose against the D-Mark.

This follows the pattern in European currencies since the summer crisis in the exchange rate mechanism: investors have been favouring currencies with better growth prospects rather than those with the highest interest rates.

● The Spanish peseta was the latest to flout conventional wisdom by rallying against the D-Mark after the ¼ point cut in its money rate.

The peseta set a Pta82.74 low after the rate cut news but closed higher in London at Pta82.26 compared with the previous close of Pta82.37.

● The dollar rose against the D-Mark on the back of encouraging US payroll data but its rise was not sustained for long.

Figures from the US Labour Department showed a rise of 208,000 in non-farm payrolls in November, with the unemployment rate at 6.4 per cent, better than analysts' expectations of 170,000 and 6.7 per cent respectively.

● Sterling rallied against the dollar and the D-Mark, gaining over a pfennig on the German currency and around a cent on the dollar in late European trading. Rate cuts in France and Spain helped underpin the pound, as did the fizzling-out of the dollar's rise very soon after the US data had been released. Investor interest in UK government bonds and shares helped boost the pound.

In London, sterling closed at DM2.5650, after a previous DM2.5525, and against the dollar it finished at $1.4905, after a *previous $1.4825.*

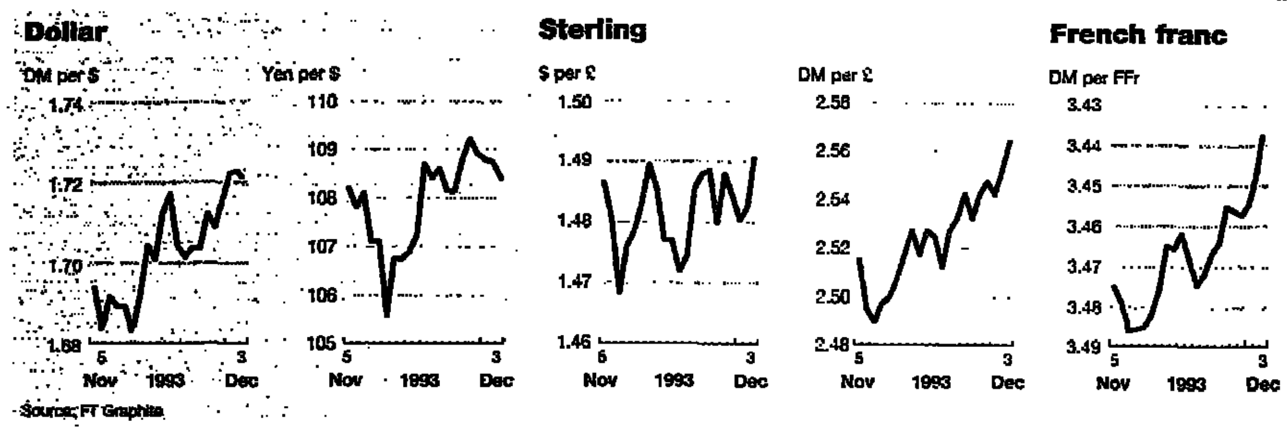
● On the UK money markets, expectations of a further cut in interest rates were only modestly reflected in the three-month interbank rate which finished at around 5 5/16, unchanged on its previous close. But the December short sterling contract closed around 6 basis points higher at 94.70 amid continuing high expectations for further monetary easing.

France's decision to cut lending rates served to strengthened optimism among money market dealers that Mr Kenneth Clarke's Budget opened the way for a sustained, lower level of interest rates.

In the morning the Bank of England forecast a shortage of £2.15bn. The forecast was later revised to £2.3bn. This was removed in afternoon operations and no late assistance was offered.

● German call money eased in a liquid market, encouraged by the Bundesbank's decision on Thursday to lower its repo rate.

Cash was on offer as banks, in anticipation of cheaper money, unloaded liquidity *which they had obtained from* the Bundesbank at the former rate of 6.25 per cent.



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Dec 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.05	+0.1	800 - 810	18.10	17.95	18.0808	-0.7	18.0737	-0.5	-	-	114.2
Belgium	(BFr)	53.95	+0.1	390 - 400	54.05	53.75	54.075	-2.8	54.24	-2.2	54.63	-1.3	112.5
Denmark	(DKr)	10.1050	+0.0275	000 - 100	10.1325	10.0725	10.1295	-2.9	10.1675	-2.5	10.2895	-1.6	114.8
Finland	(FM)	8.6115	+0.004	110 - 120	8.6500	8.5975	-	-	-	-	-	-	79.5
France	(FFr)	8.8175	+0.02	125 - 225	8.8275	8.7600	8.8292	-1.6	8.8458	-1.3	8.8628	-0.5	107.7
Germany	(DM)	2.5650	+0.0125	625 - 675	2.5700	2.5525	2.5676	-1.2	2.5706	-0.9	2.5688	-0.1	123.7
Greece	(Dr)	368.00	+2.3	795 - 805	369.10	366.00	-	-	-	-	-	-	-
Ireland	(I£)	1.0550	+0.0025	545 - 555	1.0580	1.0515	1.0558	-0.9	1.0571	-0.8	1.0607	-0.5	102.3
Italy	(L)	2553.25	-2.5	275 - 375	2580.00	2548.25	2562.4	-4.3	2578.45	-3.9	2642.95	-3.5	75.4
Luxembourg	(LFr)	53.95	+0.1	390 - 400	54.05	53.75	54.075	-2.8	54.24	-2.2	54.63	-1.3	112.5
Netherlands	(Fl)	2.8750	+0.015	700 - 800	2.8800	2.8625	2.8766	-0.7	2.878	-0.4	2.8758	0.0	118.9
Norway	(NKr)	11.1225	+0.045	175 - 275	11.1400	11.0800	11.1287	-0.7	11.1325	-0.4	11.1227	0.0	85.6
Portugal	(Es)	262.00	+1.5	150 - 250	262.75	261.00	263.44	-6.6	265.775	-5.8	-	-	-
Spain	(Pta)	211.05	+0.75	090 - 120	212.00	210.35	211.82	-4.4	212.99	-3.7	217.78	-3.2	84.7
Sweden	(SKr)	12.5575	+0.0075	525 - 625	12.5725	12.4600	12.5815	-2.3	12.6155	-1.8	12.7335	-1.4	73.0
Switzerland	(SFr)	2.2200	+0.0025	150 - 250	2.2375	2.2100	2.2188	0.7	2.2151	0.9	2.1924	1.2	115.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.1
Ecu	-	1.3315	+0.004	310 - 320	1.3365	1.3260	1.3332	-1.5	1.3357	-1.3	1.3405	-0.7	-
SDR†	-	0.934329	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4785	-	780 - 790	1.4800	1.4745	-	-	-	-	-	-	-
Brazil	(Cr)	366.05	+7	600 - 610	367.00	359.00	-	-	-	-	-	-	-
Canada	(C$)	1.9800	+0.008	795 - 805	1.9875	1.9675	1.9779	1.3	1.9744	1.1	1.9684	0.6	91.1
Mexico	(New Peso)	4.6245	+0.0275	230 - 260	4.6385	4.6050	-	-	-	-	-	-	-
USA	($)	1.4905	+0.008	900 - 910	1.4955	1.4815	1.4882	1.9	1.4839	1.8	1.471	1.3	67.0
Pacific/Middle East/Africa													
Australia	(A$)	2.2255	-0.0055	245 - 265	2.2330	2.2090	2.2243	0.7	2.2224	0.6	2.2222	0.1	-
Hong Kong	(HK$)	11.5130	+0.068	125 - 135	11.5610	11.4450	11.4982	1.5	11.4672	1.6	11.3719	1.2	-
India	(Rs)	46.80	+0.35	675 - 685	46.90	46.50	-	-	-	-	-	-	-
Japan	(Y)	161.50	+0.25	100 - 200	162.75	161.00	161.065	3.2	160.185	3.3	156.23	3.3	181.8
Malaysia	(M$)	3.8105	+0.021	095 - 115	3.8225	3.7875	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.7135	+0.008	120 - 150	2.7210	2.7005	2.7142	-0.3	2.7154	-0.3	2.7255	-0.4	-
Philippines	(Peso)	41.55	-0.3	150 - 160	41.65	41.50	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5925	+0.035	895 - 955	5.6060	5.5585	-	-	-	-	-	-	-
Singapore	(S$)	2.3875	+0.019	870 - 880	2.3950	2.3700	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0265	+0.037	275 - 295	5.0360	4.9900	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6290	+0.0435	220 - 360	6.6435	6.5925	-	-	-	-	-	-	-
South Korea	(Won)	1205.90	+7	555 - 625	1209.50	1199.00	-	-	-	-	-	-	-
Taiwan	(T$)	40.10	+0.25	005 - 015	40.25	39.85	-	-	-	-	-	-	-
Thailand	(Bt)	37.90	+0.2	785 - 795	38.05	37.70	-	-	-	-	-	-	-

†SDR rate for Dec 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	12.1150	+0.01	125 - 175	12.1500	12.0925	12.1412	-2.6	12.1872	-2.4	12.309	-1.6	+16.62
Belgium	(BFr)	36.20	-0.15	615 - 625	36.35	36.05	36.34	-4.6	36.56	-4.0	37.145	-2.6	-0.97
Denmark	(DKr)	6.7800	-0.0175	775 - 825	6.8125	6.7600	6.807	-4.8	6.853	-4.3	6.9825	-3.0	+9.60
Finland	(FM)	5.7775	-0.032	770 - 780	5.8165	5.7750	5.792	-3.0	5.817	-2.7	5.88	-1.8	-
France	(FFr)	5.9160	-0.02	125 - 175	5.9450	5.8950	5.9321	-3.5	5.9607	-3.1	6.0245	-1.9	-7.89
Germany	(D)	1.7205	-0.001	200 - 210	1.7295	1.7140	1.7248	-3.0	1.732	-2.7	1.7459	-1.5	+32.01
Greece	(Dr)	246.95	+0.1	690 - 700	248.10	246.45	251.2	-20.7	258.95	-19.4	293.95	-19.0	-
Ireland	(I£)	1.4125	+0.005	120 - 130	1.4165	1.4050	1.409	3.0	1.4029	2.7	1.3855	1.9	-
Italy	(L)	1713.00	-11	275 - 325	1737.75	1708.00	1721.85	-6.2	1737.75	-5.8	1797	-4.9	-38.63
Luxembourg	(LFr)	36.20	-0.15	615 - 625	36.35	36.05	36.34	-4.6	36.56	-4.0	37.145	-2.6	-0.97
Netherlands	(Fl)	1.9290	-	285 - 295	1.9380	1.9220	1.9331	-2.6	1.9398	-2.2	1.9533	-1.3	+21.45
Norway	(NKr)	7.4625	-0.01	600 - 650	7.4975	7.4425	7.4745	-1.9	7.496	-1.8	7.5575	-1.3	-17.69
Portugal	(Es)	175.80	-0.05	575 - 585	176.90	175.40	177.01	-8.3	179.26	-7.9	187.2	-6.5	-
Spain	(Pta)	141.65	-0.25	160 - 170	142.70	141.40	142.4	-6.4	143.6	-5.5	148.05	-4.5	-34.97
Sweden	(SKr)	8.4250	-0.04	225 - 275	8.4725	8.3900	8.4545	-4.2	8.5022	-3.7	8.654	-2.7	-39.11
Switzerland	(SFr)	1.4895	-0.007	890 - 900	1.5070	1.4830	1.4909	-1.2	1.493	-0.9	1.49	0.0	+24.70
UK	(£)	1.4905	+0.008	900 - 910	1.4955	1.4815	1.4882	1.9	1.4839	1.8	1.471	1.3	-27.74
Ecu	-	1.1190	+0.0015	185 - 195	1.1225	1.1135	1.1159	3.4	1.1105	3.0	1.0973	1.9	-
SDR†	-	1.38234	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	+0.0005	980 - 990	0.9990	0.9975	-	-	-	-	-	-	-
Brazil	(Cr)	245.60	+3.25	555 - 565	245.65	245.50	-	-	-	-	-	-	-
Canada	(C$)	1.3290	-0.0015	285 - 295	1.3305	1.3265	1.3296	-0.5	1.3312	-0.7	1.3387	-0.7	-11.02
Mexico	(New Peso)	3.1030	-	015 - 045	3.1050	3.1000	3.1047	-0.7	3.1088	-0.7	3.123	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-9.80
Pacific/Middle East/Africa													
Australia	(A$)	1.4930	-0.013	925 - 935	1.4970	1.4905	1.4945	-1.2	1.4979	-1.3	1.5059	-0.9	-46.89
Hong Kong	(HK$)	7.7245	-0.001	240 - 250	7.7255	7.7235	7.7252	-0.1	7.726	-0.1	7.7345	-0.1	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.45	-3.1	31.655	-3.6	-	-	-
Japan	(Y)	108.40	-0.35	835 - 845	109.05	108.10	108.275	1.4	108.005	1.5	106.255	2.0	+121.39
Malaysia	(M$)	2.5565	-0.0015	560 - 570	2.5585	2.5560	2.5595	-1.4	2.5715	-2.3	2.6165	-2.3	-
New Zealand	(NZ$)	1.8205	-0.0055	195 - 215	1.8230	1.8195	1.8214	-0.6	1.8239	-0.8	1.8308	-0.6	-
Philippines	(Peso)	27.90	-0.35	785 - 795	28.20	27.60	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7520	+0.001	500 - 540	3.7540	3.7500	3.758	-1.9	3.7685	-1.8	3.791	-1.0	-
Singapore	(S$)	1.6020	+0.003	015 - 025	1.6025	1.5995	1.601	0.7	1.6007	0.3	1.5985	0.2	-
S Africa (Com.)	(R)	3.3740	+0.0045	730 - 750	3.3750	3.3620	3.39	-5.7	3.4058	-3.8	3.538	-4.9	-
S Africa (Fin.)	(R)	4.4475	+0.0025	425 - 525	4.4575	4.4400	4.4795	-8.6	4.5415	-8.5	-	-	-
South Korea	(Won)	809.05	-0.2	880 - 930	809.50	808.80	812.05	-4.4	815.55	-3.2	834.05	-3.1	-
Taiwan	(T$)	26.95	+0.05	890 - 700	27.00	26.90	27.015	-2.9	27.155	-3.0	-	-	-
Thailand	(Bt)	25.45	-	540 - 550	25.50	25.40	25.465	-0.7	25.495	-0.7	25.76	-1.2	-

†SDR rate for Dec 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Dec 2 . Base average 1980/82=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.72	16.34	4.754	1.956	4732	5.329	20.61	485.6	391.1	23.28	4.115	1.854	3.670	2.762	299.4	2.467
Denmark	(DKr)	53.42	10	8.730	2.540	1.045	2528	2.847	11.01	259.4	208.9	12.44	2.198	0.990	1.960	1.475	159.9	1.318
France	(FFr)	61.19	11.46	10	2.909	1.197	2896	3.261	12.61	297.2	239.3	14.25	2.518	1.134	2.246	1.690	183.2	1.510
Germany	(DM)	21.03	3.938	3.437	1	0.411	995.3	1.121	4.335	102.1	82.26	4.897	0.865	0.390	0.772	0.581	62.96	0.519
Ireland	(I£)	51.14	9.573	8.357	2.431	1	2420	2.725	10.54	248.3	200.0	11.91	2.104	0.948	1.877	1.412	153.1	1.262
Italy	(L)	2.113	0.396	0.345	0.100	0.041	100.	0.113	0.436	10.26	8.265	0.492	0.087	0.039	0.078	0.058	6.326	0.052
Netherlands	(Fl)	18.77	3.513	3.067	0.892	0.367	888.0	1	3.868	91.13	73.39	4.369	0.772	0.348	0.689	0.518	56.17	0.463
Norway	(NKr)	48.52	9.083	7.929	2.307	0.949	2296	2.585	10	235.6	189.7	11.29	1.996	0.899	1.781	1.340	145.2	1.197
Portugal	(Es)	20.59	3.855	3.365	0.979	0.403	974.4	1.097	4.244	100.	80.53	4.794	0.847	0.382	0.756	0.569	61.64	0.508
Spain	(Pta)	25.57	4.787	4.179	1.216	0.500	1210	1.363	5.270	124.2	100.	5.953	1.052	0.474	0.938	0.706	76.54	0.631
Sweden	(SKr)	42.95	8.041	7.020	2.042	0.840	2033	2.289	8.854	208.6	168.0	10	1.768	0.796	1.576	1.186	128.6	1.060
Switzerland	(SFr)	24.30	4.550	3.972	1.155	0.475	1150	1.295	5.009	118.0	95.05	5.658	1	0.450	0.892	0.671	72.75	0.600
UK	(£)	53.95	10.10	8.817	2.565	1.055	2553	2.875	11.12	262.0	211.0	12.56	2.220	1	1.980	1.490	161.5	1.331
Canada	(C$)	27.25	5.101	4.453	1.295	0.533	1289	1.452	5.616	132.3	106.6	6.343	1.121	0.505	1	0.753	81.57	0.672
US	($)	36.21	6.779	5.917	1.721	0.708	1713	1.930	7.463	175.8	141.6	8.430	1.490	0.671	1.329	1	108.4	0.893
Japan	(Y)	334.1	62.54	54.59	15.88	6.533	15808	17.80	68.85	1622	1307	77.77	13.75	6.192	12.26	9.226	1000.	8.241
Ecu		40.53	7.588	6.624	1.927	0.793	1918	2.160	8.355	196.8	158.5	9.437	1.668	0.751	1.488	1.119	121.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Dec 3	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.791835	-0.001098	-2.08	5.23	14
Netherlands	2.19672	2.15821	+0.00244	-1.71	4.83	-
Germany	1.94964	1.92603	+0.00274	-1.21	4.31	-
Belgium	40.2123	40.5242	-0.0579	0.78	2.25	-6
France	6.53883	6.61869	-0.01164	1.22	1.80	-10
Denmark	7.43679	7.59232	-0.00357	2.09	0.93	-14
Portugal	192.854	196.884	+0.373	2.09	0.93	-14
Spain	154.250	158.945	+0.967	3.04	0.00	-21
NON ERM MEMBERS						
Greece	264.513	276.486	+0.403	4.53	-1.42	-
Italy	1793.19	1923.50	+2.68	7.27	-3.94	-
UK	0.786749	0.751686	-0.003035	-4.46	7.85	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5803	0.5788	-0.0010	0.5803	0.5778	33,836	125,908
Mar	0.5760	0.5750	-0.0010	0.5788	0.5739	7,100	29,194
Jun	-	0.5729	-	-	0.5729	2	341
Sep	-	0.5716	-	-	-	1	11

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9191	0.9185	-0.0010	0.9195	0.9173	18,818	73,482
Mar	0.9218	0.9220	-0.0011	0.9258	0.9205	11,462	26,457
Jun	0.9255	0.9255	-0.0020	0.9255	0.9255	181	575
Sep	-	0.9326	-	-	-	5	44

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.400	8.11	8.04	8.22	0.07	0.15	0.56
1.425	5.67	5.88	6.32	0.08	0.43	1.04
1.450	3.24	3.99	4.58	0.12	0.85	1.78
1.475	1.24	2.47	3.13	0.53	1.87	2.77
1.500	0.20	1.38	2.10	1.99	3.22	4.17
1.525	0.02	0.69	1.31	4.18	5.02	5.87

Previous day's vol., Calls 10,236 Puts 33,456 . Prev. day's open int., Calls 658,844 Puts 587,390

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6675	0.6642	-0.0033	0.6675	0.6627	12,141	55,413
Mar	0.6652	0.6630	-0.0028	0.6665	0.6615	2,054	4,891
Jun	-	0.6656	-	-	-	5	35
Sep	-	0.6661	-	-	-	1	24

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.4830	1.4826	-0.0002	1.4878	1.4812	9,7659	30,223
Mar	1.4800	1.4756	-0.0006	1.4800	1.4732	3,077	7,067
Jun	1.4702	1.4702	-0.0004	1.4730	1.4700	3	98

WORLD INTEREST RATES

MONEY RATES

December 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	7⅝	7½	6¾	6⅛	8.30	5.50	-
week ago	8¼	7⅝	7⅞	7	6⅝	8.30	5.50	-
France	6⅞	6¾	6⅝	6⅜	5⅞	8.20	-	7.75
week ago	6⅞	6¾	6¾	6¼	5⅞	8.45	-	7.75
Germany	6.40	6.28	6.03	5.68	5.28	6.75	5.75	6.00
week ago	6.35	6.28	6.15	5.80	5.43	6.75	5.75	6.25
Ireland	6¼	6⅜	6⅜	6	5⅞	-	-	6.75
week ago	6¼	6⅜	6⅜	6	5⅞	-	-	6.75
Italy	9¼	9¼	9¼	8⅞	8⅞	-	8.00	9.05
week ago	8⅞	9¼	9¼	8⅞	8¾	-	8.00	9.03
Netherlands	5.83	5.90	5.67	5.40	5.13	-	5.25	-
week ago	6.11	5.90	5.81	5.53	5.26	-	5.25	-
Switzerland	4⅝	4⅝	4⅝	4¼	3⅞	6.625	4.25	-
week ago	4⅝	4⅝	4⅜	4¼	4⅛	6.625	4.25	-
US	2⅞	3¼	3⅜	3½	3¾	-	3.00	-
week ago	3	3¼	3⅜	3½	3⅞	-	3.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-

■ **$ LIBOR FT London Interbank Fixing** [illegible]

US Dollar CDs [illegible]

SDR Linked Ds [illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.92	93.90	-0.02	93.93	93.90	16573	167561
Mar	94.60	94.60	-	94.61	94.58	19478	160312
Jun	95.16	95.15	-0.01	95.16	95.13	7047	130653
Sep	95.45	95.45	-0.01	95.46	95.42	6159	102473

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.75	91.00	+0.20	91.03	90.73	7219	28707
Mar	91.32	91.60	+0.23	91.62	91.30	5594	43589
Jun	91.80	92.10	+0.23	92.10	91.80	1781	22961
Sep	92.16	92.39	+0.22	92.40	92.16	515	17893

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.66	95.67	-	95.68	95.64	2560	19897
Mar	96.28	96.28	-	96.28	96.24	2245	29644
Jun	96.55	96.54	-	96.55	96.49	752	7996
Sep	96.62	96.64	-	96.62	96.60	55	3771

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

[illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

[illegible]

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

[illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

[illegible]

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

[illegible]

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Dec 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 3	5⅜ - 5⅛	5 7/16 - 5 5/16	5 5/16 - 5 3/16	5¼ - 5⅛	5¼ - 5⅛
Sterling CDs	-	-	5 9/32 - 5 7/32	5 7/32 - 5 5/32	5 5/32 - 5 3/32	5 3/32 - 5 1/32
Treasury Bills	-	-	5⅛ - 5 1/16	5 - 4 15/16	-	-
Bank Bills	-	-	5 1/16 - 5	5 1/32 - 4 31/32	5 1/32 - 4 31/32	-
Local authority deps.	6 1/16 - 5 15/16	5 5/16 - 5 3/16	5⅜ - 5¼	5 5/16 - 5 3/16	5¼ - 5⅛	5¼ - 5⅛
Discount market deps.	6 - 4¼	5 5/16 - 5 3/16	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1¾	4¼	4	3¾	3¾

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.9636pc. ECGD fixed rate Stlg. Export Finance. Make up day November 30, 1993. Agreed rate for period Dec 26, 1993 to Jan 25, 1993, Schemes II & III 6.90pc. Reference rate for period Oct 30, 1993 to Nov 30, 1993, Schemes IV & V 5.618pc. Finance House Base Rate 6pc from Dec 1, 1993

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

[illegible]

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¼% Stk 2000/03 - £138⅜ (1De93)

Exchequer 10½% Stk 2005 - £128⅜ (30No93)

Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £138⅜ ⅝

Corporation and County Stocks

Birmingham Corp 2½% Stk 1926(or after) - £30 (29No93)

Birmingham District Council 11½% Red Stk 2012 - £138¾

Leeds Permanent Building Society Collared FltgRteNts 2003(Reg Mult£1000) - £102⅞ (26No93)

Leeds Permanent Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £103¼ɸ

Lloyds Bank PLC 8⅝% Subord Bds 2023 (Br £ Var) - £115¼ (26No93)

Lloyds Bank PLC 10¼% Subord Bds 1998(Br£10000) - £112½ (26No93)

Microtek International Inc 3.5% Bds 2001(Br$1000) - $117 (30No93)

Municipality Finance Ld 9½% Gtd Nts 1997 (Br £Var) - £105.69ɸ 9.9ɸ

National Power PLC 10⅞% Bds 2001 (Br £10000&100000) - £118.41 (30No93)

Listed Companies(excluding Investment Trusts)

AAH PLC 4.2% Cum Prf £1 - 63 (29No93)

API Group PLC 3.85% Cum Prf £1 - 55 (1De93)

ASH Capital Finance(Jersey)Ld 9½% Cnv Cap Bds 2006 (Reg Units 100p) - £99 (1De93)

Asma Malaysian Growth Fund(Cayman)Ld Ord $0.01 - $11⅞ (30No93)

Aitken Hume International PLC 7% (Net) Cnv Cum Red Prf £1 - 93 (26No93)

Albert Fisher Group PLC ADR (10:1) - $9.65

Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 15p - 70

FT-SE ACTUARIES INDICES

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Investment Trusts

USM Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Bank of East Asia HK$44½

Churchill Resources A$0.347 (1/12)

City Developments S$6.90

Dainippon Screen Manufacturing Y527 (1/12)

Devex A$0.6339 (30/11)

Far East Hotels FFr0.99ɸ (26/11)

Forest Laboratories £31.355997ɸ

Hecma North West 11½

Keystone Intl. $25⅝ɸ

Kulim Malaysia 77.81

Kulim Malaysia (Malay Reg.) RM3.46

Malayan Cement RM4.822

Malaysian Plantations 38

North Flinders Mines 480

Oil Search A$0.788 (1/12)

Regal Hotels HK$1.79

Selangor Properties RM2.93ɸ

Singapore Land S$5.9925ɸ

Tandem Resources 8

United Overseas Land S$1.78

Valiant Consolidated A$0.3075 (1/12)

Walhalla Mining A$0.151 (29/11)

By Permission of the Stock Exchange Council

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LONDON STOCK EXCHANGE

MARKET REPORT

Closing peak for the FT-SE 100 Share Index

By Terry Byland,
UK Stock Market Editor

The London stock market ended Budget week on a *triumphant* note yesterday, with the FT-SE 100 Share Index pushing through to a new closing peak, helped by firmness in sterling and in UK government bonds. Earlier in the session, the UK market traced an erratic pattern and the focus on domestic factors restrained it from following the upward trend in other European bourses which greeted the cut in French interest rates.

Technical factors also helped the UK market ahead. Although the squeeze in the futures market eased, the premium on the December contract on the Footsie remained strong and the pressures were transferred to the equity market where marketmakers have been caught badly short of stock this week. There were reports that some marketmakers urgently sought a widening of price spreads yesterday.

After moving between an early low of 3,212.2, followed quickly by a day's high of 3,240.8, the FT-SE Index closed 10.3 higher at 3,234.2. The FT-SE Mid 250 Index edged ahead by 0.6 to 3,566.5, also a closing peak. Seaq volume died away a little to 747.1m shares compared with 1,048.6m in the previous session. Thursday's retail business was worth £2.31bn, among the highest daily totals for the year, and confirming the increased business levels which have cheered securities firms in the City of London this year.

Government bonds also showed uncertainty at first as profits were taken in the wake of the dramatic rise of the past two trading sessions. Firmness in sterling and in the sterling future contract at the very close of trading spurred a recovery in bond prices.

Short-dated gilts ended a touch firmer as confidence that UK base rates will be cut soon after Christmas grew stronger. The longer dates, reflecting similar confidence that domestic inflation will remain low, gained around ¼ points higher, bringing yields down to 6.76 per cent.

At last night's close, the Footsie showed a gain of 132.8 points or nearly 4 per cent over the week. Investment confidence has been boosted by the absence from the UK Budget of the feared assault on the tax status of the UK pension funds and by the relatively benign stance adopted by Mr Kenneth Clarke, the UK chancellor of the exchequer.

Some further selling pressure was seen in oil stocks, however, as international investors continued to back away in the face of the persistent weakness in global oil prices.

There were further gains yesterday in the bank stocks which will benefit quickly from improvement in the trading success of their customers, many of whom feature on the banks' bad debt lists and also in store and consumer issues which look for early cuts in base rates. *Firmness in pharmaceutical issues* provided a boost for market indices.

While most equity strategists remained optimistic for the near term, there were warnings that Friday afternoon is well known as a treacherous time for investors. A highly optimistic weekend press review of the Budget and of the stock market's response is expected and the stock market expects increased private investor activity.

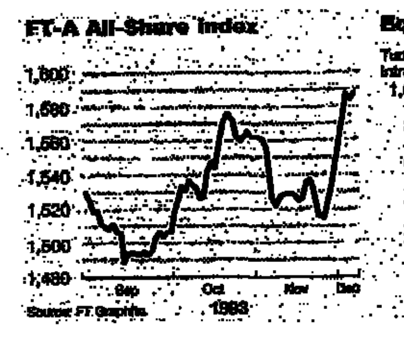
This week's interest rate cuts in Europe, although not spearheaded by the Bundesbank, have strengthened the likelihood that the UK base rates cuts widely predicted by analysts in London could come earlier in the New Year than expected.

Account Dealing Dates

*First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Nov 15	Nov 25	Nov 26	Dec 6
Nov 29	Dec 9	Dec 10	Dec 20
Dec 13	Dec 30	Dec 31	Jan 10

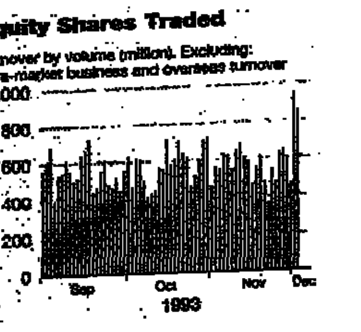
*New time dealings may take place from two business days earlier.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE Mid 250	3566.5	+0.6
FT-SE-A 350	1609.2	+4.0
FT-A All-Share	1589.72	+3.82
FT-A All-Share yield	3.60	(3.60)
FT Ordinary index	2448.6	+3.1
FT-A 500 p/e	20.50	(20.40)
FT-SE 100 Fut Dec	3247.0	+4.0
10 yr Gilt yield	6.59	(6.52)
Yield ratio:	1.93	1.94

FT-SE 100 Index

Closing index for 3234.2	+10.3
Change over week	+122.8
Dec 2	3223.9
Dec 1	3233.2
Nov 30	3166.9
Nov 29	3135.8
High*	3258.3
Low*	3106.0

*Intra-day high and low for week

TRADING VOLUME

Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	14,000	90½	+1	Lonrho	2,200	133	-2
Abbey National†	9,400	452	+15	Lucas	1,300	178	+3
Albert Fisher	2,800	64	+1	MEPC†	1,800	633	
Allied-Lyons†	1,800	611	-6	MFI	3,300	146	+3
Anglian Water†	1,200	549	-8	Manweb	384	672	+6
Argos	264	371	+2	Marks & Spencer†	4,300	458	+5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Dealers were surprised once again by the hefty premium in the futures market and said it was largely responsible for preventing the cash market slipping into negative territory, *writes Peter John*.

The cash market wanted to take a pause after hectic post-Budget gains but the futures contract on the FT-SE 100 index, expiring in two weeks, refused to give ground.

When the December contract opened at 3,243 it was at a premium of some 29 points to cash. Most marketmakers calculate however that for the last two weeks of its trading life the contract should have no estimated fair value and should, perhaps, be at a small discount to cash.

December closed at 3,247 with some 12,900 contracts traded. The cash market closed at 3,234.2.

Options volume was down to more normal levels with turnover of almost 42,000 contracts. Hanson was the most active stock option with more than 4,300 lots dealt.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3243.0	3247.0	+4.0	3255.0	3233.0	12933	50314
Mar	3260.0	3268.0	+3.5	3273.0	3255.5	2053	25419
Jun		3276.0	+3.5			0	961

Contract traded on APT. Open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3230) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Dec	247½	1	198½	2	150½	3½	104½	7½	62½	15½	31	36½	11	69½	3½	119½
Jan	262½	9	218½	12½	174	19½	134½	30	98	44½	68E	66	45	94	27	129½
Feb	274	16	231	22½	189½	31	152	43	117½	59	87½	79½	64	107½	43	139½
Mar	288½	25	243½	31½	205½	31	167½	43	134½	59	104	79½	79½	107½	57½	139½
Jun†	315	47½			238	69½			175	104½			123	152½		

Calls 6,834 Puts 7,272

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Dec	321½	½	271½	½	221½	1	173½	2	124½	4	82½	9½	45½	22	20	47½
Jan	332½	4½	285	7	239	10	194½	15½	152½	23	114½	34½	81½	51½	54½	74
Feb	341½	9½			250	16½			168	33			101½	65		
Mar	353½	17½			266	28½			186½	47½			120	71		
Jun†	374½	33			293	49			223	74			160½	110½		

Calls 525 Puts 1,865 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1992 based on Friday December 3 1993

Gold Mines Index	+261.66	Capital Goods	+24.00	Conglomerates	+13.31
Property	+76.23	Insurance (Life)	+23.65	Insurance (Composite)	+13.19
Merchant Banks	+67.16	Telephone Networks	+23.38	"500" Share Index	+11.80
Engineering-Aerospace	+59.50	Transport	+23.30	Hotels & Leisure	+10.81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+10.67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+10.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+10.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+10.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+10.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+5.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+2.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-4.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-13.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-25.64

FT - SE Actuaries Share Indices — The UK Series

	Dec 3	Day's chge%	Dec 2	Dec 1	Nov 30	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return	1993 High		1993 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3234.2	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23/7/84
FT-SE Mid 250	3566.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21/1/86
FT-SE Mid 250 ex Inv Trusts	3565.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21/1/86
FT-SE-A 350	1609.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14/1/86
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31/12/92
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31/12/92
FT-A ALL-SHARE	1589.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13/12/74

FT-Actuaries All-Share

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry baskets

[illegible]

Support for banks continues

The startling gains in bank shares this week, based partly on the market's reaction to the Budget, but also on **Royal Bank of Scotland's** sparkling preliminary results, were often extended yesterday as marketmakers scrambled to cover short positions.

In a classic bear squeeze, **Standard Chartered** powered ahead to another all-time high, closing 43 up at 1149p, after turnover of 1.9m, while **Abbey National** also reached a peak, settling 15 better at 451p after big turnover of 9.4m.

TSB continued to attract much higher than usual activity, the shares moving ahead to 237½p on 9m traded, with the market said to have been caught on the wrong foot. There was also speculation that the bank could be considering the sale of its United Dominions Trust business. TSB, the next big bank to report preliminary figures, announces profits in January.

Royal Bank of Scotland rounded off a splendid week on a sound note, the shares edging up 2 to 430p, a week's gain of 46p, or 12 per cent, after the exceptional results which saw the dividend total increased by no less than 25 per cent.

Bank specialists continued to highlight the substantial shift in sentiment in the bank sector, which it was said, could quickly respond to a steep decline in bad debt provisions and recent cost cutting. There was, however, significant profit-taking in Barclays, 5 lower at 609p, while HSBC was hit by bearish news on the Anglo/Chinese talks on Hong Kong.

Drugs revive

As the post-Budget buying spree waned, investors sat back and looked at areas of the market which have been left behind. The health and household sector was one of the first to spring to mind – it has underperformed the FT-All Share Index by almost 40 per cent over the past year.

A year ago the p/e ratio on the 500 Index, which reflects the performance of all stocks excluding financial issues, was 17.12 while the health and household sector, traditionally viewed as a fast growing area was above 23. At the close of trading on Thursday the position was reversed. Several of the sector's leading companies are now seen as low growth yield stocks rather than rising stars. Hoare Govett sees **Glaxo** yielding 5 per cent and **Zeneca** 4.8 per cent.

That yield potential was underlined as the market caught wind of a further cut in base rates yesterday. Glaxo, which received approval for an influenza compound to be tested on humans in the United States next year, rose 8½ to 695½p, It was also said to have been upgraded by Smith Barney in the US. Zeneca gained 11 to 796p , **Wellcome** 10 to 684p and **SmithKline Beecham** 5½ to 399p.

Oils pressured

Yet another slide in crude oil prices caused consternation but little in the way of substantial downside pressure in the oil sector. BP came under limited pressure late in the session, closing 3½ down at 332p. **Shell** gave a powerful performance, closing 7½ ahead at 701½p as some institutions continued to switch out of BP.

Brent for January delivery dropped below the psychologically important $14 a barrel level, slipping to $13.65 before rallying to $13.85, its lowest level since November 1988. "It's not looking good at all for the oils, especially the exploration stocks," said one specialist. He added that if crude prices stay at current levels for any length of time then the exploration companies "will have to start looking at their forward planning schedules."

Enterprise, the highest-rated stock in the sub-sector, moved up 10 to 447p, with buying still being stimulated by recent presentations to Scottish institutions, the recent buy note issued by Kleinwort Benson and talk of more positive broker research in the pipeline.

Reports that the Securities and Investment Board, the insurance industry watchdog, is planning a further investigation into pension plan transfers triggered a bout of hefty selling throughout the life sector.

The severest pressure fell on **Prudential**, whose shares closed 9½ lower at 361p, after turnover of 9.5m shares. **Legal & General** dipped 7 to 532p on 2.4m traded. **Lloyds Abbey** slipped 5 to 449p on 1.7m shares.

Most food manufacturing stocks remained under pressure as worries over margins – prompted by warnings this week of more pain to come from supermarket group **Argyll** – continued. **Hillsdown** slipped 4 to 149p, **Cadbury-Schweppes** 8 to 467p and **Booker** 2 to 394p. International exposure kept **Unilever** strong, up 10 to 1170p.

Expectations ahead of results on Monday lifted **Scottish and Newcastle**, the shares adding 18 to 538p. Profit-takers were in evidence as **Allied Lyons** fell 6 to 411p and **Bass** the same amount to 531p. **SG Warburg** was said to be recommending a switch out of **Guinness**, down 2½ at 471p. and into **Grand Metropolitan**, ahead 4½ at 434½p.

Dealers said there was a bear squeeze in **Rank Organisation**, sending the shares forward 35 to 909p. The sharp rise inevitably gave rise to renewed talk over the possibility of Rank selling its stake in Rank Xerox. After a tortuous week in the market, **Ladbroke** finally moved into positive territory, the shares edging a penny to 145p. Turnover, at 10m, was again heavy.

Conglomerate **Hanson** saw another day of frenetic trading following Thursday's disappointing results and the shares shed 3 to 265½p on turnover of 34m. There was also busy trading in the options market. The stock hit a low of 260p but dealers said there was chart support at 262p which encouraged value buying.

The television sector retraced some of the week's gains as Kleinwort Benson argued that an over-estimation of projected airtime sales by **Yorkshire-Tyne Tees** could impact on the rest of the sector. YTT fell 4 to 179p, **Scottish** lost 4 to 493p and **Anglia** slipped 3 to 451p.

There were reports of downgradings in **BTR**, said to be from James Capel and Cazenove. The shares closed down 5p at 346p. **ASW** recovered 10 to 158p, after its recent profits warning.

November traffic results from British Airways' caused little excitement with a slight reduction in passenger load factors. The shares were steady at 430p.

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
ASW Hldgs	158	+	10
Amber Industrial	650	+	35
Courts	915	+	27
Daejan	1423	+	28
First Technology	276	+	13
Greycoat	34	+	3½
Hadleigh Inds	81	+	4
Ovoca Res	26½	+	5½
Rank Org	909	+	25
Sleepy Kids	72	+	8
Standard Chart	1153	+	43
Tarmac	156	+	7
Trans World	67	+	6
Falls			
Barr & WAT A	254	–	10
Betterware	148	–	10
Eidos	210	–	20
Green (Ernest)	74	–	7
Gresham Tele	110	–	7
Linread	89	–	9
RTZ	722½	–	20½
Ward Hldgs	35	–	8
YRM	19	–	2

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (155)
BRITISH FUNDS (25) OTHER FIXED INTEREST (1) Utd. Mexico 16½pc 2008, AMERICANS (5) Gen. Elect., Lowe's, Varity, BANKS (7) ANZ, Abbey Natl., Bank of Scot., Lloyds, Ottoman, Standard Chart., TSB, BREWERS (4) Gibbs Mew, Matthew Clark, Regent Inns, Scott. & New., BLDG MATLS (8) BPB, Blue Circle, Do. Pf., Meyer, Pilkington, Do. Wrnts., Rugby, Travis Perkins, Wolseley, BUSINESS SERVS (2) Chubb, Fact (E.W.), CHEMS (2) Bayer, ICI, CONGLOMERATES (1) Harrisons & Crosfield, CONTG & CONSTRCN (2) Banner Homes, Crest Nichol., ELECTRICALS (3) BICC 10½pc Bds., Denmans, Philips Finance 5¾pc, ELECTRICITY (6) Eastern, Midlands, Northern Ireland, Norweb, Sth. Wales, Sth. Western, ELECTRONICS (2) Electrocomponents, Farnell, ENG GEN (1) Hill & Smith, HEALTH & HSEHOLD (1) Court Cavendish, HOTELS & LEIS (4) Castle Comms., Jurys Hotel, Rank, Do. Pf., INV TRUSTS (38) MEDIA (5) Haynes Pub., Intl. Business Comms., Radio Clyde, Reuters, Sleepy Kids, MTL & MTL FORMING (1) Firth (G.M.), MISC (3) Brit. Bloodstock, Dinkie Heel, Plantsbrook, MOTORS (2) Dixon, Lex Service, OIL & GAS (1) Brit. Gas, OTHER FINCL (1) Perpetual, OTHER INDLS (3) Amber Indl., Ferromet, OMI, PACKG, PAPER & PRINTG (2) Ferry Pickering, Filofax., PROP (8) Daejan, Derwent Valley, Frogmore Ests., Grainger, Greycoat, Lon. Merchant, Southend Prop., Warner Est., STORES (6) Argos, Cantors, Courts, Kleeneze, Marks & Spencer, Sears, TELE NETWORKS (1) Securicor A, TEXTS (2) French (T), Yorklyde, TRANSPORT (3) BAA, Irish Continental, Norish, SOUTH AFRICANS (1) S.A. Brews., MINES (4) CRA, Ennex, Navan, Ovoca.

NEW LOWS (23)
BRITISH FUNDS (4) CHEMS (1) Holliday, CONTG & CONSTRCN (1) Green (E) & Part., ELECTRONICS (2) Micro Focus, Rademec. FOOD MANUF (1) Northern, FOOD RETAILING (2) Geest, Kwik Save, HEALTH & HSEHOLD (1) Huntingdon, MEDIA (1) Blenheim Pf., MISC (1) Shanks & McEwan, OIL & GAS (1) Midland & Scottish Res., OTHER FINCL (2) Policy Portfolio, St. James's Capital, OTHER INDLS (1) Harris (P), PACKG, PAPER & PRINTG (2) Microgen, Ossory, PROP (1) YRM, STORES (1) Pentos. TEXTS (1) Dawson.

Data based on those Companies quoted on the London Share Service.

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sun Life Trust Mngmt Ltd (1200)H

PDFM Unit Managers Ltd

Barclays Life Assur. Co Ltd - Contd.

Combined Life Assurance Co

Commercial Union Group

General Portfolio Life Insce Plc - Contd.

Legal & General

Manulife Group

Premium Life Assurance Co Ltd

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

J Rothschild Assurance PLC - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Funds				
JRA/M&G Managed cap	139.8	147.0	-0.50	-
JRA/M&G Managed acc	148.5	156.4	+0.50	-
JRA Scottish Amicable Mngd cap	127.8	134.8	+0.30	-
JRA Scottish Amicable Mngd acc	138.1	143.3	+0.30	-
JRA/St James's Pl Mngd cap	162.9	171.5	-0.60	-
JRA/St James's Pl Mngd Acc	173.3	182.5	-0.60	-
Deposit cap	101.8	107.2	-	-
Deposit acc	108.3	114.1		-
Far East cap	162.0	170.6	+1.60	-
Far East acc	172.4	181.5	+1.70	-
Gilts cap	123.7	129.4	-0.30	-
Gilts acc	131.0	137.9	-0.40	-
Greater European cap	138.0	145.3	+0.40	-
Greater European acc	146.8	154.6	+0.40	-
North American cap	150.0	157.9	-0.60	-
North American acc	159.6	168.0	-0.70	-
UK Equity cap	129.1	135.9	-0.10	-
UK Equity acc	137.3	144.6	-0.10	-

Scottish Provident Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Funds				
With-Profits Ord	201.2	211.8	+0.1	-
Managed Ord	323.8	340.7	-0.3	-
Blue Chip Ord	152.9	161.1	-0.2	-
Equity Ord	343.2	361.4	-0.1	-
International Ord	345.1	363.4	+1.2	-
Property Ord	258.3	272.0	-	-
Fixed Interest Ord	310.0	326.5	-0.1	-
Index-Linked Ord	204.8	215.6	-0.8	-
Cash Ord	253.1	266.6	+0.1	-
Building Society Ord	191.7	201.9	-	-
Accumulation Performance Ord	202.0	212.7	-	-
Europe Performance Ord	116.1	122.3	+0.1	-
Far East Performance Ord	143.2	150.8	+0.1	-
Worldwide Performance Ord	157.3	165.7	+0.7	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

هكذا من الأصل

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec 3 / US$) (3:15 pm)

EUROPE

AUSTRIA (Dec 3 / Sch)

BELGIUM/LUXEMBOURG (Dec 3 / Frs.)

DENMARK (Dec 3 / Kr)

FINLAND (Dec 3 / Mkk)

FRANCE (Dec 3 / Frs.)

GERMANY (Dec 3 / Dm.)

ITALY (Dec 3 / Lira)

NETHERLANDS (Dec 3 / Fls.)

NORWAY (Dec 3 / Kroner)

SPAIN (Dec 3 / Pts.)

SWEDEN (Dec 3 / Kroner)

SWITZERLAND (Dec 3 / Frs.)

CANADA (Dec 3 / Can. $) (3:15 pm)

AFRICA

SOUTH AFRICA (Dec 3 / Rand)

PACIFIC

JAPAN (Dec 3 / Yen)

AUSTRALIA (Dec 3 / Aus$)

HONG KONG (Dec 3 / H.K.$)

MALAYSIA (Dec 3 / MYR)

SINGAPORE (Dec 3 / S$)

INDICES

	Dec 3	Dec 2	Dec 1	1993 High		1993 Low	
Argentina							
General (29/12/77)	(u)	17386.7	17565.0	16367.80	22/10	12167.66	8/3
Australia							
All Ordinaries(1/1/80)	2047.4	2047.3	2005.4	2132.40	1/11	1495.00	13/1
All Mining(1/1/80)	879.5	892.4	873.5	904.50	2/8	584.70	13/1
Austria							
Credit Aktien(30/12/84)	417.21	413.05	410.01	424.59	2/11	300.26	14/1
Traded Index(2/1/91)	1081.35	1070.57	1064.75	1084.43	2/11	712.06	15/1
Belgium							
BEL20 (1/1/91)	1423.67	1407.82	1401.82	1423.67	3/12	1125.46	4/1
Brazil							
Bovespa (29/12/83)	(u)	27165.0	26698.0	97300.00	26/8	714.72	4/1
Canada							
Metals Minls♦(1975)	(u)	3291.72	3290.08	3291.72	2/12	2743.31	21/1
Composite♦ (1975)	(u)	4216.32	4220.37	4302.60	12/11	3275.80	21/1
Portfolio§§ (4/1/83)	(u)	2011.34	2012.33	2027.41	11/11	1720.97	21/1
Chile							
IPGA Gen (31/12/80)	(u)	3368.40	3387.90†	3392.87	29/11	2612.58	10/5
Denmark							
CopenhagenSE(3/1/83)	348.23	347.97	345.86	356.14	4/11	261.90	4/1
Finland							
HEX General(28/12/90)	1545.5	1551.8	1552.2	1607.70	3/11	843.10	22/1
France							
CAC General(31/12/81)	602.04	602.20	593.59	609.73	26/10	471.24	13/1
CAC 40(31/12/87)	2188.40	2160.45	2153.98	2231.86	22/10	1772.21	29/1
Germany							
FAZ Aktien(31/12/58)	812.85	806.65	800.92	812.85	3/12	598.82	14/1
Commerzbank(1/12/53)	2326.90	2313.40	2289.60	2326.90	3/12	1694.30	14/1
DAX (30/12/87)	2120.61	2110.55	2089.67	2120.61	3/12	1516.50	13/1
Greece							
Athens SE(31/12/80)	[illegible]	[illegible]	[illegible]	[illegible]	13/8	667.72	5/1
Hong Kong							
Hang Seng(31/7/64)	9294.35	9335.20	9254.03	9733.34	15/11	5437.80	4/1
India							
BSE Sens.(1979)	3219.2	3292.5	3292.8	3282.80	1/12	2100.87	23/4
Indonesia							
Jakarta Comp.(10/8/82)	521.73	520.01	517.86	536.46	22/11	273.31	5/1
Ireland							
ISEQ Overall(4/1/88)	1822.59	1842.10	1832.63	1849.27	3/11	1191.19	11/1
Italy							
Banca Comm Ital (1972)	549.84	548.94	544.66	632.86	30/8	446.33	6/1
MIB General (4/1/93)	1208.0	1208.0	1200.0	1390.00	30/8	992.00	11/1
Japan							
Nikkei 225 (16/5/49)	17459.35	17456.75	17125.31	21148.11	13/9	16078.71	29/11
Nikkei 300 (1/10/82)	[illegible]	[illegible]	[illegible]	306.84	10/11	249.64	29/11
Topix (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1250.06	25/1
2nd Section (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1651.72	26/1
Malaysia							
KLSE Comp.(4/4/86)	[illegible]	[illegible]	1015.42	[illegible]	3/12	614.28	13/1

	Dec 3	Dec 2	Dec 1	1993 High		1993 Low	
Mexico							
IPC (Nov 1978)	(u)	2270.78	2231.53	2270.78	2/12	1504.16	25/2
Netherland							
CBS TtlRtnGen(End 83)	415.3	413.9	412.9	419.30	4/11	295.70	4/1
CBS All Shr (End 83)	269.2	268.3	267.6	272.00	4/11	198.60	13/1
New Zealand							
Cap. 40 (1/7/86)	2098.27	2079.30	2040.53	2203.59	2/11	1495.37	21/1
Norway							
Oslo SE(Ind)(2/1/83)	987.99	992.37	992.17	1038.73	18/11	668.93	27/1
Philippines							
Manila Comp (2/1/85)	2434.17	2395.89	2323.76	2467.50	3/11	1270.68	4/1
Portugal							
BTA (1977)	2533.1	2525.6	(c)	2689.00	9/9	1608.20	14/1
Singapore							
SES All-S'pore(2/4/75)	564.15	560.50	557.19	564.35	1/11	394.10	13/1
South Africa							
JSE Gold (28/9/78)	1913.0♥	1937.0	1858.0	2098.00	30/7	775.00	5/1
JSE Indl. (28/9/78)	4957.0♥	4962.0	4903.0	4962.00	2/12	4333.00	19/4
South Korea							
KoreaCmpEx(4/1/80)**	806.86	801.17	808.75	848.47	20/11	605.93	6/3
Spain							
Madrid SE (30/12/85)	304.15	300.81	298.54	310.28	22/10	215.60	4/1
Sweden							
AffarsvarldenGen (1/2/37)	1336.20	1345.5	1342.00	1435.10	4/11	879.10	28/1
Switzerland							
Swiss Bk Ind (31/12/58)	1224.57	1212.06	1201.34	1224.57	3/12	904.80	11/1
SBC General (1/4/87)	964.47	956.57	952.30	964.47	3/12	678.70	11/1
Taiwan							
WeightedPr (30/6/66)**	4581.20	4579.24	4468.34	5013.28	7/4	3088.43	9/1
Thailand							
Bangkok SET (30/4/75)	1377.41	1366.03	1341.34	1380.84	12/11	818.84	1/6
Turkey							
Istanbul Cmp.(Jan 1986)	17893.1	18675.6	18883.7	18877.10	30/11	3955.53	1/1
WORLD							
MS Capital Int (1/1/70)$	585.6*	585.3	582.0	607.10	15/10	488.68	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1387.12	1374.18	1365.54	1387.12	3/12	1063.02	13/1
Euro Top-100 (26/6/90)	1169.03	1162.39	1156.93	1175.45	22/10	862.73	13/1
JCapelDrgns (31/12/88)	(u)	308.95	307.65	316.71	12/11	188.92	4/1
Barings Emerg.(7/1/92)	145.61	144.76	144.78	145.61	3/12	99.81	4/2

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	2177.0	2204.0	+31.0	2207.0	2165.0	17,600	58,429
Jan	2186.0	2215.5	+31.5	2218.0	2177.0	345	1,660
Mar	2198.0	2227.5	+31.5	2198.0	2198.0	15	8,907
Jun	2200.0	2237.5	+30.5	2237.0	2200.0	2	1,558

Open interest figures for previous day

** Sat Nov 27 : Taiwan Weighted Price 4163.59; Korea Comp Ex 805.51; . Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000, JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal ♦ Toronto. (c) Closed. (u) Unavailable. ♥ Subject to official recalculation.

US INDICES

Dow Jones	Dec 2	Dec 1	Nov 30	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3702.11	3697.08	3683.95	3710.77 (16/11)	3241.95 (20/1)	3710.77 (16/11/93)	41.22 (2/7/32)
Home Bonds	108.54	108.60	108.57	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1770.67	1763.61	1757.20	1770.67 (2/12)	1453.84 (4/1)	1770.67 (2/12/93)	12.32 (8/7/32)
Utilities	224.62	223.17	225.35	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3725.30 (3731.73) Low 3674.17 (3673.33) (Theoretical♦)
Day's high† 3707.70 (3711.61) Low† 3690.93 (3683.95) (Actual♦)

Standard and Poors	Dec 2	Dec 1	Nov 30	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	463.11	461.89	461.79	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	535.14	534.22	533.72	540.25 (16/11)	496.48 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	43.92	43.69	43.50	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.84	255.27	254.79	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt Val	462.85	462.77	460.03	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	766.73	763.81	754.39	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Nov 26	Nov 19	Nov 12	Year ago
Dow Jones Ind. Div. Yield	2.71	2.71	2.80	3.14
	Dec 1	Nov 24	Nov 17	Year ago
S & P Ind. Div. yield	2.41	2.40	2.38	2.65
S & P Ind. P/E ratio	27.08	27.14	28.88	27.71

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	463.45	463.85	+0.35	464.55	463.40	40,584	168,322
Mar	-	464.55	-	-	-	6,850	26,697
Jun	-	465.70	-	-	-	29	2,210
Sep	-	466.85	-	-	-	100	539

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Limited	8,122,000	18	-3½
Nat Semi	5,974,200	15⅝	-1⅝
Hanson	4,379,300	19⅜	+1⅜
Telefonos	3,048,000	57⅞	+1⅞
Merck	3,000,100	33¾	+⅞
Wal-Mart	2,561,200	28	-⅛
Navistar	2,441,800	22⅝	+¼
Merry Go R	2,324,300	6½	+1½
Am T & T	2,116,700	54⅞	+⅛
NationsBk	1,846,800	47⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Dec 2	Dec 1	Nov 30
New York SE	253.078	287.582	286.428
Amex	18.221	20.793	19.631
NASDAQ	299.133	323.883	285.639
NYSE			
Issues Traded	2,674	2,673	2,687
Rises	1,164	1,301	980
Falls	839	807	1,077
Unchanged	671	565	630
New Highs	62	57	44
New Lows	23	28	44

† Corrected figs for Nov 30: high 3699.78 low 3673.61 * Calculated at 15.00 GMT. ● Excl bonds. ‡ Industrial, plus Utilities, Fnl & Trans. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

WORLD STOCK MARKETS

AMERICA

Employment data give lift to Dow

Wall Street

Wall Street inched into positive territory yesterday morning after the bond market reacted to strong November employment data with surprising equanimity, *writes Frank McGurty in New York.*

At 1pm, the Dow Jones Industrial Average was 1.95 ahead at 3,704.06, while the Standard & Poor's 500, a broader measure, was up 0.93 at 464.04. In the secondary markets, the American SE composite gained 1.66 to 464.51, and the Nasdaq composite was up 3.96 at 770.69.

Trading volume on the NYSE was heavy at 161m shares. Advancing issues led decliners, 1,014 to 841.

After a string of bullish economic news in recent days, investors' attention yesterday morning was riveted on the labor department's monthly employment report, which proved to be much stronger than expected.

Of particular interest was how the US Treasury market would respond to the figures. Non-farm payrolls jumped by 208,000 workers, against analysts' median forecast of 180,000. The jobless rate tumbled by 0.4 of a point to 6.4 per cent, the lowest level since January 1991.

The Commerce Department's index of leading indicators did nothing to undercut the impression of a bubbling economy. It showed a 0.5 per cent gain in October, compared with revised increases of 0.2 per cent and 0.5 per cent for the previous two months.

However, instead of a big sell-off in inflation-sensitive bonds, the 30-year government issue firmed $\frac{1}{32}$ to $99\frac{31}{32}$ in early trading, to yield 6.27 per cent. At the short end, prices eased modestly.

Nerves were steadied in part by a Market News report quoting Federal Reserve governor Edward Kelley as questioning whether the strong fourth-quarter growth rate was sustainable. Traders also viewed the slow wage growth as a silver lining in the employment report, mitigating any suggestion of mounting inflationary pressure.

Retailing stocks were active for a second straight session. In very heavy trading, The Limited slipped a further $⅝ to $17¼ as investors continued to react to the clothing-store operator's sales slump.

In its first day of trading, Pactel, the mobile communications arm of Pacific Telesis, climbed $2¼ above its opening price of $23. The parent company's stock was $¼ ahead at $57¼.

Corning climbed $1¼ to $27⅝ and Dow Chemical added $⅝ to $58⅝ after a judge ruled the two companies were not liable for injuries in more than 3,000 federal cases involving silicone breast implants made by their Dow Corning joint venture.

Mexican shares continued their record breaking ways as the IPC index rose above the 2,300 level for the first time in active morning trading.

The IPC index was up 30.97 or 1.36 per cent at 2,301.75 in volume of 32.2m shares.

Traders attributed the rise to local and foreign demand, much of it concentrated in Telmex, with the L shares up 2.5 per cent.

Canada

TORONTO edged higher in quiet midday trade, led by gains in precious metals and transportation.

The TSE 300 composite index gained 4.70 to 4,231.00 in volume of 38.8m shares. Declining stocks edged out advances 295 to 291, with 333 issues holding steady.

Zurich offers feeling of security, even at peaks

Ian Rodger looks at a third year of strong growth

Barring a last minute catastrophe, the Swiss stock market is about to complete its third year in a row of handsome double digit growth.

Yesterday, the all-share SPI index finished at a record 1,783.81, a dazzling 44 per cent higher than at the beginning of the year, while the narrower SMI index of 18 leading shares was an impressive 33 per cent ahead at a peak of 2,819.3. Both indices also advanced strongly this week, in response to a combination of good economic statistical news and rumours – a couple of them a bit wild – of mergers and acquisitions.

Yet the near unanimous message of equity analysts, both in Switzerland and in London, is that the Swiss market is still a good one to buy. "It is still one of the markets where the investor has the least cause to worry," says Mr Nick Stevenson, European equity strategist at London bankers SG Warburg.

"We are still fundamentally positive," echoes Mr Frederick Hasslauer at Banksal Oppenheim (Schweiz) in Zurich. "The interest rate story is not over, and Switzerland has a better record on inflation than most other European countries."

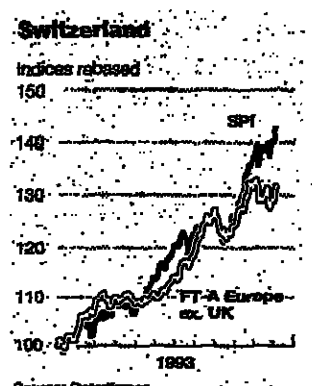
The argument for the Swiss market, in a week when the latest statistical reports from the federal government showed inflation down to 2.2 per cent and annualised GDP rising 0.6 per cent in the third quarter, is not as difficult to make as one might think.

"The market has been liquidity driven, and that will continue, but it will also be more earnings driven than other European markets," says Mr Bernhard Tschanz of Credit Suisse in Zurich.

The basic point is that the long awaited economic recovery in Europe is still looking uncertain, and in those circumstances, the renowned defensive qualities of the Swiss market plus the country's strong currency make it a safe bet.

Moreover, in spite of its long and strong run, the Swiss market is still not that expensive on fundamental grounds compared with other European markets. Mr Hans Kaufmann, head of Swiss brokerage research at Bank Julius Baer in Zurich, points out that the market is only 28 per cent ahead of the previous peak in 1987, and he estimates that current prices are at about 13 times 1994 earnings.

Although the prospects for economic recovery in Europe are uncertain, the leading companies in the Swiss market are all expected to show continued earnings growth. Baer estimates that overall earnings will be up 25 per cent next year compared with a probable 16 per cent growth this year.



And analysts believe that the reliability of earnings estimates in respect of Swiss companies is far greater than that on companies elsewhere. The leading Swiss companies may have adopted international accounting standards in the last couple of years, but everyone knows that they have not lost their ultra conservative tendency to stuff away and use reserves to smooth out earnings trends.

The big Swiss banks, which are having a spectacular year thanks mainly to volatile securities and currency markets, are piling up provisions as high as they can so that even if next year's results are not as brilliant as this year's, they can still show some profit growth.

Many industrial companies, for whom 1993 has not been pleasant at all, are doing the same thing, on the grounds that a little more red ink this year won't bother anyone, but will help their expected rebound next year.

Thus, the expectation is that the market will continue rising, although Mr Tschanz and others caution that there is not the same upside potential as there has been.

They also warn that it will become more difficult to pick winners. "It will be much more important to pick the right stocks in 1994. This year, you just had to pick the right sectors," Mr Tschanz says.

For the moment, the top banks, insurance companies and pharmaceutical companies are still the favourites, although other interest rate sensitive stocks, such as the electric utilities, Electrowatt and Motor Columbus, have attracted a lot of interest lately.

These two are also the subject of merger speculation, as both Credit Suisse, which controls Electrowatt, and Union Bank of Switzerland, which controls Motor, are said to want to shed these peripheral activities. Retailers got a boost this week from the report that real consumption of private households rose an annualised 2.7 per cent in the third quarter.

But cyclical stocks are lying low, as recent reports from engineering group ABB Asea Brown Boveri and cement producer Holderbank indicated that no upturn is yet in sight.

Sceptics about the Swiss market could point to that sure sign of excess, wild rumours, appearing in recent days. According to one story floating around this week, Ciba, the pharmaceutical and chemicals group, would take over Ems-Chemie, the specialist chemical maker run by the controversial Christoph Blocher. And there was a tale on Thursday that CS Holding, parent of Credit Suisse, had taken a stake in Germany's Commerzbank.

The more serious worry, if it can be called that, is an earlier than expected economic recovery in Europe. "If you believe in a big recovery, Switzerland is the last place you want to be," Mr Stevenson says.

EUROPE

Continent continues its record setting ways

Another round of strong and, in some cases, record performances were seen yesterday, *writes Our Markets Staff.*

FRANKFURT went into the weekend in positive spirit with a rise in the DAX index at the official close of 10.08 to 2,120.61, its second successive record high . However, this was slightly below an intraday high of 2,123.13. In the post-bourse the unofficial Ibis indicated index made further gains, ending at 2,128. The DAX index gained 3.5 per cent on the week. Turnover was DM9.1bn.

The authorities announced yesterday that from December 14 the DAX index will be available after the close of official trading at 1.30pm, with data calculated up to 5pm "on the basis of prices determined in the electronic trading system Ibis".

The stronger dollar helped a number of stocks while interest was also seen in the chemical sector, Bayer for instance gaining DM4.30 to DM343.00. This stock was helped by a positive meeting earlier in the week, with Goldman Sachs rating the shares now as moderate outperformers: "We continue to feel that management's stated expectations of only a stable 1994 reflect a very cautious stance and that earnings progress should begin to emerge during the course of next year."

FT-SE Actuaries Share Indices

Dec. 3							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1378.69	1379.38	1381.51	1381.42	1381.85	1382.54	1384.66	1387.12
FT-SE Eurotrack 200	1460.73	1461.60	1462.11	1460.79	1461.20	1461.15	1460.64	1464.15

	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 26
FT-SE Eurotrack 100	1374.18	1365.54	1343.12	1344.70	1346.66
FT-SE Eurotrack 200	1455.67	1452.41	1420.82	1417.23	1412.67

Base value 1000 (26/10/90) Highday: 100 - 1387.12; 200 - 1465.34 Lowday: 100 - 1377.79 200 - 1459.58.

The market's attraction to RWE followed on ahead of next week's dividend payment, the shares rising a further DM2.80 to DM490.80.

PARIS built up throughout the session with the CAC-40 index closing up 27.95 at 2,188.40 following the cut in rates by the Bank of France early on. The market has gained 3.2 per cent during the week. Turnover was FFr3.9bn.

Canal Plus and Peugeot, which had both been depressed on Thursday by different factor, picked up again, with respective gains of FFr50 and FFr15 to FFr1,300 and FFr730. Investors still see short-term potential in Canal Plus in spite of worries over the extension of its franchise.

STOCKHOLM fell prey to profit-taking in Volvo B shares after their surge during the week ahead of Thursday's decision to abandon the Renault merger. The Affärsvärldsen index fell 9.3 to 1,336.2 for a 1.8 per cent rise on the week.

Turnover of SKr1.2bn was dominated by SKr436m of business in the Volvo B shares, which fell SKr17 to SKr441.

James Capel which upgraded the stock to a buy yesterday, noted that in the short term, Volvo's earnings were in a recovery phase, helped by currency considerations, cost-cutting and higher sales in the US and Britain. As a result, 1994 earnings per share were likely to be substantially higher than if the merger had gone ahead.

MILAN received a late boost as the head of the lower chamber of deputies budget committee said that agreement with opposition parties had been reached on a package that will be sent to the full chamber.

The Comit index finished 0.90 higher at 549.84, also benefiting from short covering ahead of the weekend. The index rose 1.5 per cent over the week.

Kleinwort Benson which has upgraded its recommendation on Italy from neutral to overweight, noted that Milan had been Europe's worst performing market recently and commented that investors had overreacted to the first round of local election results a fortnight ago. Kleinwort added that the 1994 budget package should be approved by the end of the year, paving the way for lower interest rates and early elections.

Foreign demand took Fiat L38 higher to L3,976. Ifil, a Fiat group company, rose L256 or 5.7 per cent to L4,770 on news that Arab Banking Corporation had taken a stake in its retailer, Rinascente.

Credito Italiano dipped L10 to L2,309 ahead of today's pricing for the privatisation.

BRUSSELS rose to a new high with the Bel-20 index finishing up 15.85 at 1,423.67, for a week's gain of 2.3 per cent. Turnover was BFr2.2bn.

Banking stocks went against the trend with some analysts commenting that they might be asked to make extra contributions to the government's austerity programme. Banque Bruxelles Lambert fell BFr65 to BFr4,250 in good volume.

AMSTERDAM was supported by the easing in domestic interest rates and the CBS Tendency index gained 0.7 to 139.0, for a week's rise of 1.6 per cent.

Hoogovens put on Fl 2.60 to Fl 43.10 as the steel group announced that that its rights issue was heavily oversubscribed.

ING, which produced good figures on Thursday, eased 40 cents to Fl 85.50.

MADRID was pulled higher by the strength of the futures market and the general index added 3.34 to 304.15 or 2.3 per cent up on the week. Turnover was a high Pta29bn. Foreign demand took Repsol Pta150 or 3.6 per cent higher to Pta4,290.

Written and edited by John Pitt and Michael Morgan.

SOUTH AFRICA

Shares recouped some of their earlier losses in late afternoon trade as the market found mild support, with steady demand for selected industrial counters continuing. Dealers said gold shares remained tied to the direction of bullion.

The gold index lost 24 to 1,913, the industrial index was down 5 at 4,957 and the overall index fell 11 to 4,262.

De Beers lost 25 cents to R87, Richemont shed R1 to R37.35 and Sappi added 50 cents to R22.50.

Vaal Reefs shed R4 to R388.

ASIA PACIFIC

Kuala Lumpur advances to historic high

Tokyo

Dealers moved to close their positions ahead of the weekend and the government's announcement of its emergency package next week, withshares closing marginally higher, *writes Emiko Terazono in Tokyo.*

The Nikkei index rose 0.60 to 17,459.35, a week's rise of 4.4 per cent. The Topix index of all first section stocks fell 5.01 to 1,460.11. Share prices fluctuated on cautious trading following the resignation of the defence minister the previous night, and a possible delay in the adoption of the supplementary budget as a result. The index fell to a day's low of 17,177.32 in the morning but buying in the futures market by financial institutions later supported shares, and the index rose to a day's high of 17,468.85 just before the close.

In London the ISE Nikkei 50 index fell 0.65 to 1,162.86.

Trading was led by dealers and *tokkin*, or specified money trusts. Volume was 270m shares against 446m. Declines led advances by 729 to 283 with 145 issues remaining unchanged. Bank shares gained ground on buy-backs by leading US houses. Industrial Bank of Japan gained Y50 to Y2,870 and Dai-Ichi Kangyo Bank rose Y30 to Y1,970.

Isetan, a leading department store, fell by its daily limit of Y300 to Y1,480. The retailer announced on Thursday that Shuwa, the stock and property speculator, had agreed to sell its 27 per cent stake in Isetan for Y1,300 to companies linked to Mitsubishi Bank, Isetan's main creditor and shareholder, and other Isetan related corporations. Shuwa cornered Isetan's shares during the late 1980s and had tried to sell them to other leading supermarkets and large retailers looking to expand their operations.

In Osaka, the OSE average fell 136.85 to 19,319.74 in volume of 22.7m shares. Nintendo, the video game maker, fell Y300 to Y6,790 on profit taking.

Roundup

The region's strength was maintained ahead of the weekend.

KUALA LUMPUR rose to a new closing high, for its third successive record. The composite index put on 6.41 to 1,023.92, a week's rise of 11 per cent. Volume was 628.5m worth M$3bn.

Tenaga Nasional rose 20 cents to M$16.80.

HONG KONG improved although many investors remained absent awaiting further developments in Sino-British relations.

The Hang Seng index rose 56.15 to 9,294.35 after advancing 77 points earlier, barely changed over the week. Turnover was HK$5.34bn against Thursday's HK$5.14bn.

In the futures market the December contract surged to 9,400 in late trading, before dropping back slightly to 9,385. HSBC topped the active list, finishing unchanged at HK$87.50 while Hang Seng Bank gained 50 cents to HK$60.

SINGAPORE's Straits Times Industrials index ended at a record closing high of 2,151.50, a gain of 20.25 points. The market has risen 2 per cent on the week.

Selective buying of blue chips and brisk trading in Malaysian OTC shares boosted volume to 327.3m shares.

SEOUL rebounded from its recent consolidation phase, with the composite index adding 5.69 to 806.86, and 0.5 per cent on the week. Posco, the steelmaker, went limit up by gaining Won1,300 to Won37,800 as 1.12m shares changed hands.

AUSTRALIA traded in a narrow range and the All Ordinaries index added 0.1 to 2,047.4, little changed on the week.

Turnover was A$384.9m.

There was strong demand for Coca-Cola Amatil, which gained 49 cents, or some 5.0 per cent to A$10.10 following a positive analysts' presentation earlier in the week.

Media stocks fell back. News Corp was down 6 cents to A$9.94, Fairfax shed 7 cents to A$2.84, and West Australian Newspapers fell 10 cents to A$3.85.

MANILA advanced in good trading, and the composite index rose 38.28 to 2,434.17, a week's gain of 2.4 per cent.

Combined volume rose to 2.40bn in turnover of 1.5bn.

BOMBAY closed lower as investors turned cautious after the market's recent gains. The BSE 30-share index closed 58.78 down at a provisional 3,224.58.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY DECEMBER 2 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY DECEMBER 1 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	153.99	-3.1	154.00	105.85	137.92	154.24	+2.2	3.34	149.36	149.57	102.58	133.37	150.90	162.83	117.39	115.21
Austria (17)	175.12	+1.1	175.13	120.39	158.74	156.53	+1.1	1.02	173.27	173.52	119.01	154.72	154.85	184.47	131.16	133.14
Belgium (42)	154.69	+0.3	154.70	106.33	138.44	138.67	+0.4	4.15	154.25	154.46	105.93	137.73	138.08	156.76	131.19	136.24
Canada (107)	132.75	+0.5	132.76	91.25	118.80	127.89	+0.3	2.61	132.05	132.23	90.68	117.90	127.51	135.54	111.41	113.36
Denmark (32)	233.02	+0.4	233.03	160.18	208.55	215.43	+0.4	1.05	232.16	232.49	159.45	207.30	214.58	241.06	185.11	192.01
Finland (23)	121.34	+1.4	121.35	83.42	108.60	147.95	+1.2	0.71	119.71	119.87	82.22	106.88	146.21	128.99	65.50	71.90
France (98)	165.40	+0.2	165.41	113.69	148.02	153.98	+0.3	3.02	165.01	165.24	113.32	147.33	153.56	173.05	142.72	147.30
Germany (60)	133.12	-0.7	133.13	91.52	119.14	119.14	-0.9	1.73	132.25	132.43	90.84	118.08	118.08	136.13	101.59	106.17
Hong Kong (55)	377.60	-0.1	377.62	259.57	337.97	374.52	-0.1	2.91	377.98	378.51	259.59	337.52	374.85	394.34	218.82	200.65
Ireland (14)	178.91	-0.2	178.92	122.99	160.12	179.10	-0.4	3.16	179.19	179.44	123.07	160.00	178.44	179.19	129.28	135.15
Italy (70)	60.17	-0.7	60.17	41.38	53.85	77.47	-0.1	2.16	60.58	60.67	41.81	54.10	77.57	78.93	53.78	54.41
Japan (469)	135.80	+1.1	135.81	93.35	121.56	93.35	+1.1	0.88	134.39	134.58	92.30	120.01	92.30	165.91	100.75	104.84
Malaysia (69)	490.77	+0.1	490.80	337.38	439.23	483.50	+0.2	1.44	490.13	490.82	336.60	437.64	482.68	490.77	251.66	272.24
Mexico (19)	2068.23	+0.7	2068.35	1421.75	1851.07	7016.79	+0.7	0.70	2054.51	2057.41	1411.03	1834.52	6970.25	2089.34	1410.30	1568.30
Netherland (26)	191.43	-0.1	191.44	131.59	171.33	168.54	+0.3	3.14	191.20	191.47	131.31	170.73	168.11	197.07	150.39	153.03
New Zealand (13)	63.10	+1.9	63.10	43.38	56.48	61.18	+1.8	3.85	61.91	62.00	42.52	55.29	60.12	68.38	40.58	42.45
Norway (23)	170.24	+0.2	170.25	117.03	152.37	172.67	+0.3	1.48	169.93	170.17	116.71	151.73	172.17	185.10	137.71	149.31
Singapore (39)	319.42	+1.3	319.44	219.58	285.88	235.37	+1.3	1.36	315.47	315.91	216.66	281.68	232.46	332.55	207.04	202.59
South Africa (60)	223.31	+1.4	223.32	153.50	199.85	216.95	+1.7	2.51	220.16	220.47	151.20	196.58	213.41	229.39	144.72	149.07
Spain (42)	132.22	-0.4	132.23	90.89	118.33	142.13	+1.1	4.20	131.66	131.85	90.43	117.58	140.54	145.24	115.23	115.67
Sweden (36)	183.37	+0.7	183.38	126.08	164.12	229.79	+0.6	1.52	182.15	182.41	125.10	162.65	228.40	208.92	149.70	165.25
Switzerland (50)	150.22	+0.6	150.23	103.27	134.46	139.37	+0.6	1.55	149.39	149.60	102.61	133.41	138.56	150.22	108.91	108.49
United Kingdom (216)	193.67	-0.1	193.68	133.12	173.32	193.68	-0.3	3.73	193.90	194.17	133.15	173.12	194.17	193.97	162.00	172.60
USA (516)	188.59	+0.3	188.60	129.65	168.80	188.59	+0.3	2.74	188.09	188.36	129.19	167.96	188.09	191.56	175.38	175.71
Europe (749)	158.84	+0.2	158.85	109.88	143.07	155.52	+0.2	2.93	159.57	159.79	109.59	142.49	155.18	162.97	133.92	138.21
Nordic (114)	178.76	+0.7	178.77	122.88	159.99	192.20	+0.6	1.29	177.59	177.84	121.97	158.58	191.02	194.54	142.13	150.50
Pacific Basin (714)	145.56	+1.0	145.57	100.07	130.28	103.84	+1.1	1.16	144.06	144.26	98.94	128.63	102.73	168.80	105.80	108.65
Euro-Pacific (1463)	151.37	+0.7	151.38	104.05	135.47	123.80	+0.7	1.93	150.37	150.59	103.27	134.28	122.94	162.86	117.26	119.80
North America (625)	185.11	-0.3	185.12	127.25	165.70	184.43	+0.3	2.74	184.60	184.86	126.79	164.86	183.93	187.68	171.51	171.84
Europe Ex. UK (533)	138.79	+0.4	138.80	95.43	124.25	133.26	+0.5	2.40	138.23	138.48	94.99	123.61	132.55	143.73	112.51	114.56
Pacific Ex. Japan (245)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	146.09
World Ex. US (1649)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	120.79
World Ex. UK (1951)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	135.12
World Ex. So. Af. (2107)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	138.41
World Ex. Japan (1698)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	157.38
The World Index (2167)	163.80	+0.5	163.81	112.61	146.62	145.81	+0.5	2.75	162.96	163.19	111.93	145.53	145.03	170.08	137.32	138.37

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied-Lyons	600	23½	38	47½	19	28½	39½
(*611)	650	5	16	25½	52½	58	70
Argyll	240	21	28½	32½	7	11	17½
(*255)	260	9½	18	22½	18½	21	28½
ASDA	50	5	6½	8½	3½	5½	6½
(*51)	60	1½	3½	5	10½	12½	13½
Brit Airways	420	28	38½	46½	13	23	30½
(*429)	460	9½	18	28½	38½	44½	53
Smkl Bchm A	390	28½	37½	48	14	24½	31
(*387)	420	13½	25	35½	32	41	48
Boots	500	57	88	78	4	8½	16½
(*549)	550	21	35	44½	17½	27	36½
BP	330	18	24	29	10	17	22½
(*333)	360	4½	10	16	31	34	38½
British Steel	120	9½	14½	19	5½	9	12
(*124)	130	5½	9½	14	9	14	17
Bass	500	38½	42½	49½	11½	17	25½
(*531)	550	6½	18	28	41	45	52½
Cable & Wire	475	29½	44½	55	14	24	30
(*489)	500	17½	32½	42	27	37	44
Courtaulds	460	24½	37	44½	13½	19½	30
(*465)	500	7½	19	28	38½	43	53
Comm Union	600	35	48½	58	10½	19½	25½
(*624)	650	11½	23	33½	33	48	52½
ICI	750	35	47	58	20½	39½	49
(*760)	800	13	23½	35	50½	71½	79
Kingfisher	700	47	64	74	11½	22½	33½
(*729)	750	19	38	47½	38	45½	58
Land Secur	750	28½	44	53	16½	25	37½
(*755)	800	7	20½	29½	50	54½	67½
Marks & S	420	41	50	55	4½	7½	14
(*454)	460	14	25	31	19	23½	30
NatWest	550	54	60½	69	5	15½	22½
(*593)	600	21½	30	41	23	38½	46
Sainsbury	390	30	42	48½	8	14½	22½
(*409)	420	12½	25½	32	22	29	37
Shell Trans.	650	60	65	72½	3½	13	19
(*699)	700	23	31½	41½	18	34	40
Storehouse	220	9	17½	22	9½	13½	17½
(*222)	240	3	9	13½	24	26½	28½
Trafalgar	90	8	13	15	4½	6	8½
(*96)	100	4	8	10½	10½	11½	14
Unilever	1150	48	68	87½	21	43	54½
(*1168)	1200	23	42½	61½	48	69½	78½
Zeneca	750	60½	72½	83½	9½	27	37½
(*794)	800	28½	43	58½	29½	52½	62½
Option		Feb	May	Aug	Feb	May	Aug
Grand Met	420	25½	32½	42	16	22	27½
(*433)	460	7½	14½	24	40½	48	47½
Ladbroke	140	17	21½	24½	12	18½	21
(*144)	160	8½	13	16	34	31	33
Utd Biscuits	330	22½	28	30½	13½	24	27
(*333)	360	8½	13½	18	32½	44	48
Option		Dec	Mar	Jun	Dec	Mar	Jun
Fisons	140	7½	17	20½	5	12	19½
(*142)	160	1½	8	12½	20½	24½	33
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	390	42½	52	64½	20½	30	37½
(*409)	420	26½	38	50	35	45	54
BAT Inds	500	38	46½	62	14½	25	31½
(*520)	550	14½	21	27½	39	54½	60
BTR	330	28½	31½	38	8	15	18½
(*345)	360	12½	18	22½	23½	31½	34
Brit Telecom	460	22½	30½	38½	14	17½	24½
(*471)	500	6½	13	20½	40	42½	47½
Cadbury Sch	453	30	34½	-	10½	21	-
(*467)	493	11½	16	-	32½	45	-
Eastern Elec	600	41	57½	61	13½	19½	31
(*625)	650	15	25½	35	41	48½	57
Guinness	460	28½	38½	44½	16½	27	32
(*489)	500	11	20½	28	38½	51	58
GEC	300	28½	34½	38½	4½	7½	12½
(*323)	330	11	17	22	18	21½	27½
Hanson	260	13½	17	20½	9½	13½	17½
(*264)	280	5	9	12½	22	26	30

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Lasmo	110	16½	18	21½	8½	13	15
(*114)	120	10	13	16½	14½	18	20
Lucas Inds / (*177); P & O / (*604); Pilkington / (*165); Prudential / (*360); RTZ / (*723); Redland / (*572); Royal Insce / (*311); Tesco / (*192); Vodafone / (*557); Williams / (*340); BAA / (*858); Thames W / (*546); Abbey Nat / (*451); Amstrad / (*42); Barclays / (*608); Blue Circle / (*336); British Gas / (*346); Dixons / (*282); Eurotunnel / (*455); Hillsdown / (*149); Lonrho / (*133); Nat Power / (*418); Scot Power / (*418); Sears	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*127)	130	3	8	10½	5½	9	12
Forte	240	11	19½	25	5½	14	19½
(*244)	260	3	11½	18	19½	26	31½
Tarmac	135	22	27	28½	1½	4½	6½
(*154)	155	6	14½	17½	6	12½	15½
Thorn EMI	950	33	59	77	10½	36½	45
(*984)	1000	8½	35	52½	38	65	71½
TSB	220	18½	25	28½	1½	6½	10½
(*236)	240	5	12	17	8½	16½	19½
Tomkins	220	12½	18½	25	3	9	12½
(*229)	240	3	11	15	14	21	24
Vaal Reefs	80	9	-	-	3½	-	-
(*87)	90	4½	-	-	8½	-	-
Wellcome	650	42	68	84	8	30½	42
(*680)	700	13½	43	59½	32½	55	66
Option		Dec	Apr	Jul	Dec	Apr	Jul
Glaxo	650	52½	80	98	6	33½	44
(*693)	700	18	53	72½	24½	57	68½
HSBC 75p shs	750	22½	54½	86	16½	50	59½
(*755)	800	5	31½	44½	51	80½	88½
Reuters	1700	52	118	152	24½	78½	101
(*1726)	1750	25	91	125	45½	104	125
Option		Dec	Feb	May	Dec	Feb	May
Rolls-Royce	156	20	24½	-	1	5	-
(*171)	176	5½	13	-	7½	13	-

* Underlying security price. Premiums shown are based on closing offer prices.
December 3. Total contracts: 41,792 Calls: 21,626 Puts: 20,166

TRADITIONAL OPTIONS

First Dealings	Nov. 22	Last Declarations	Feb. 24
Last Dealings	Dec. 3	For settlement	March 7

Calls: Aran Energy, Birkdale, Mid States, Racal Elect., Royal Bk Scotland, Vodaphone Puts: Hanson Wts., Yorkshire TV Wts., Puts & Calls: Rolls-Royce, Tullow Oil

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	51	16	11	283	62	65
Other Fixed Interest	1	10	4	27	13	35
Commercial, Industrial	288	268	875	2,024	1,011	4,110
Financial	49	51	67	350	164	321
Property	24	12	99	162	63	445
Investment Trusts	118	55	358	1,023	212	1,416
Oil & Gas	13	28	40	84	112	206
Mines	48	21	71	158	165	377
Others	42	37	73	299	154	307
Totals	634	498	1,598	4,390	1,956	7,282

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	1993 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	46.3	94	86	Abtrust Emrg Econ	92½	+½	-	-	-	-
-	F.P.	5.2	53	46	Do Warrants	52		-	-	-	-
100	F.P.	28.2	102	92	Abtrust Lloyds	94		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	57.6	97	92	New London Cap	96		-	-	-	-
§78	F.P.	80.7	120	94	†On Demand Info	119	+2	-	-	-	-
230	F.P.	86.5	253	233	Roxboro	247	+2	NR1.9	5.7	1.0	19.5
-	F.P.	113.3	213	193	Royal Doulton	208	-1	H6.6	-	4.0	-
150	F.P.	79.6	167	159	Ruberoid	165	-2	R5.4	1.9	4.1	15.7
135	F.P.	25.3	141	141	Smaller Co's Tst C	141		-	-	-	-
100	F.P.	48.5	98	92	Syndicate Cap.	97		-	-	-	-
-	F.P.	1.8	34	23	Do Warrants	33		-	-	-	-
100	F.P.	61.2	102	102	Throg Prfd Inc	102		-	-	-	-
§190	F.P.	29.0	198	163	Towry Law	190		LN4.8	2.2	3.0	16.7
-	F.P.	24.4	111	101	Ugland Intl	102		-	-	-	-
100	F.P.	19.2	98	93	Wigmore Prop.	95		-	-	-	-
-	F.P.	1.6	41	28	Do Warrants	40		-	-	-	-

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FINANCIAL TIMES EQUITY INDICES

	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Yr ago	*High	*Low
Ordinary share	2448.6	2445.5	2457.2	2418.5	2395.8	2082.4	2457.2	2124.7
Ord. div. yield	3.79	3.79	3.78	3.84	3.88	4.45	4.52	3.78
Earn. yld. % full	4.32	4.37	4.38	4.42	4.47	6.10	6.38	4.37
P/E ratio net	23.20	28.74	28.59	28.38	28.11	21.01	29.20	19.40
P/E ratio nil	27.04	26.89	26.56	26.32	26.07	19.34	27.04	18.14
Gold Mines	231.1	237.8	227.0	225.1	230.9	71.6	249.6	60.0

*For 1993. Ordinary share index since compilation: high 2457.2 1/12/93; low 49.4 26/6/40
Gold Mines Index since compilation: high: 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35, Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2439.3	2453.6	2450.6	2452.4	2448.0	2448.2	2448.8	2441.6	2445.8	2455.8	2437.8

	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Yr ago
SEAQ bargains	36,508	44,612	48,745	28,185	31,797	25,636
Equity turnover (£m)†	-	2308.1	2797.5	1284.4	1528.4	1526.0
Equity bargains†	-	50,747	52,684	31,245	35,566	30,468
Shares traded (ml)†	-	862.7	968.1	475.0	605.1	630.6

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Ennex Intl IE	7½	+¾	7¾	3¾	6.30	-
Europa Mnls	33	—	42	15	15.9	-
Glencar Expl IE	11	—	12	6	2.03	-
Greenwich Res	15	—	22¼	5	12.3	-
Hanalo Gold C$	28⅝	—	28⅛	£3½	641.1	1.5
Ivernia West IE	39	—	57	31	19.6	-
Kella Mnls IE	13½	—	14	6	6.33	-
Ivanvore	9	—	13½	6	9.01	-
Mefloga Res	8	—	26½	7	0.88	-
Navan Res IE	107	+3	167	25	21.3	-
5pc Ln Notes	99	—	99	25	17.8	-
Oryx Gold	46	—	76½	27	-	-
Ovoca Res IE	28½	+5½	29½	3½	1.85	-
RTZ	722½	-20½	748	607	7,667	4.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on RMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xC ex capital distribution.

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FINANCIAL TIMES
Weekend December 4/December 5 1993

SFO handed privileged documents to prosecution

Attorney general admits blunder in Nadir case

By Kevin Brown

The credibility of Britain's Serious Fraud Office was further damaged yesterday when the government admitted that privileged documents were wrongly handed to lawyers prosecuting Mr Asil Nadir, the fugitive head of Polly Peck International, the collapsed trading company.

The admission, in a written House of Commons answer from Sir Nicholas Lyell, attorney general, bears out one of the allegations about the SFO made by Mr Michael Mates, the former Northern Ireland minister, who resigned in June over his relationship with Mr Nadir.

Mr Mates claimed yesterday that the SFO had concealed further *details from the attorney* general: "He was not told the whole truth by the SFO. He still has not been told all of the truth. There is more to come out."

Sir Nicholas said the error was "regrettable" but that there was no evidence to substantiate any other allegations against the SFO, and ruled out an independent inquiry.

Mr George Staple, director of the SFO, said he had begun an internal inquiry into the circulation of the documents.

"The right course remains for Mr Nadir to return to this country to face trial, and, should he wish to make any complaints about the prosecution's handling of his case, to raise them with the trial judge," he said.

Mr Nadir, who fled to northern Cyprus in May, said he would not return to face 13 charges of theft involving £34m unless an independent inquiry was established.

He said other documents had also been handed to the prosecution, and accused the SFO, Scotland Yard, the attorney general *and the Crown Prosecution Ser*vice of conspiring to secure a wrongful conviction.

"As long as these people are in power it would be naive for me to come to Britain," he said.

The admission of SFO bungling over the documents is a severe embarrassment to Sir Nicholas, who was forced to concede he had misled the Commons, which is regarded as a serious offence, in a statement in June.

The opposition appeared unlikely to try to make the admission a resignation issue. Mr Alistair Darling, Labour's City affairs spokesman, backed Sir Nicholas' call for Mr Nadir to return to face trial: "Unless and until Mr Nadir comes back to face charges I don't see how these issues can be disposed of."

Mr Mates, who is believed to want to return to the government once the Nadir affair is concluded, is also thought unlikely to pursue the issue.

However, he will continue to press for a public inquiry. He alleged in his resignation speech *that the SFO sought to put* "improper pressure" on the trial judge, that it tried to engineer a "trial by media" through leaks to the press, and that there was "illegal collusion" between the SFO and the Inland Revenue.

Admission hurts SFO, Page 7

Volvo hopes to maintain Renault link despite halt on merger

By Hugh Carnegy in Stockholm and John Ridding in Paris

Volvo will seek to maintain its three-year-old alliance with Renault despite its decision to abandon plans to merge with the state-owned French vehicle manufacturer.

Mr Sören Gyll, chief executive of the Swedish group who led a management revolt that halted the merger proposal on Thursday, sought yesterday to limit the damage to relations with Renault.

"I can only say sorry and apologise and hope that France understands," he said. "We must ensure that the common projects [between Volvo and Renault] ***continue to be developed."***

The French government said it continued to believe the merger remained desirable. "However, the opinions held by Volvo executives need to clarified," it said in a statement.

But Volvo said there was no immediate prospect of renegotiating a full merger and Mr Louis Schweitzer, Renault chairman, emphasised the difficulty of future co-operation. The companies were likely to discuss their joint prospects very soon, Volvo said.

Mr Schweitzer said the existing alliance, including cross-shareholdings and joint purchasing and product development, remained in effect. But he added the merger's failure would damage the momentum of co-operation and require existing collaboration to be appraised on a case by case basis.

He expressed pessimism over the flagship P4 project to build a new range of executive cars.

Mr Gyll sought to bolster morale within Volvo after the board decision, which prompted the resignation of Mr Pehr Gyllenhammar, the chairman who had led Volvo for 22 years, and four other directors.

Officials said a meeting of shareholders, whose hostility to the merger sparked the crisis, would be called early in the new year to elect a new chairman and board. Mr Gyll is expected to be confirmed as chief executive.

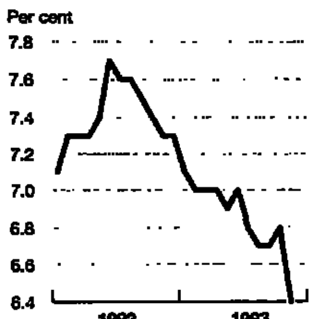
In meetings with managers and employees at Volvo's headquarters in Gothenburg, Mr Gyll emphasised the group's financial strength and his determination to bind the internal wounds opened by the merger proposal.

Volvo officials said a wide-ranging strategy review would include consideration of how to raise up to SKr8bn in extra capital. The options are a share issue and sales of non-core assets.

Mr Schweitzer said the merger's failure did not threaten Renault's future or compromise plans to privatise the car group. Other investors could be found to act as a counterweight to Volvo's 20 per cent stake in Renault.

Curse of Gyllenhammar, Page 9
Swedish forests sell-off, Page 11

US unemployment rate



Source: Datastream

Sharp fall in US jobless

Continued from Page 1

trends – rose 0.5 per cent in October after solid gains in the two preceding months. Factory orders rose 1.2 per cent in October to register their third consecutive monthly gain.

Many Wall Street analysts share the White House's confidence. The consensus is that the economy will grow at an annual rate of 4-5 per cent this quarter from 2.7 per cent in the third quarter. Growth is expected to moderate early next year but then regain momentum. Real gross domestic product is expected to rise by 3 per cent or slightly more over the year.

Views diverge on the Federal Reserve's likely response. If inflation figures remain subdued, many analysts expect the Fed to postpone an increase in short-term rates, now 3 per cent, until well into next year. Others believe the Fed will begin nudging rates higher on the grounds that inflation-adjusted rates are too low.

Industry urges EU to put competitive ability top of agenda

By David Gardner in Brussels

Competitiveness should be at the top of the European Union's political agenda, leading European industrialists urged yesterday.

The European Round Table, which groups 40 top industrialists, called for the creation of a US-style Competitiveness Council. The group was joined by Mr Jacques Delors, European Commission president, when it launched its report.

It calls for a European Charter for Industry to serve as a counterweight to pan-European social policy.

The move comes a week before the Brussels summit of EU heads of government, which will centre on a white paper on competitiveness, growth and unemployment finalised by Mr Delors.

The industrialists' blueprint puts more emphasis on deregulation and cutting costs to industry from legislation and bureaucracy than recent drafts of the Commission white paper. But both urge big increases in investment, particularly in infrastructure and information networks, cutting employment costs and improving training.

The report endorses Mr Delors' call for more co-operation within industry on research and development.

Mr Floris Maljers, chairman of Unilever, the Anglo-Dutch consumer products group and head of the working group that produced the report, said the Competitiveness Council should have a mandate to report regularly to the EU on industrial issues.

He said non-wage costs, such as employers' social security contributions, amounted to 44 per cent of total employment costs in Europe, against 28 per cent in the US and 24 per cent in Japan. "Work is there, but not at these prices," the report says. "In effect, Europe has imposed a tax on jobs. It is time to find a better system."

The report adds that higher productivity will have to precede higher wages. Mr Maljers warned against the environment and energy taxes being considered in the Commission white paper. "Some of these costs will have to go from production to consumption," he argued.

Mr Maljers said the proposed council and the Charter for Industry had two main aims: to record industry's views on the conditions for restoring competitiveness; and to look over EU and national legislation in the light of the need for competition.

The council would have a small, highly qualified membership made up of industry, government and scientists.

The action plan's suggestion that Ecu200bn (£152.40bn) a year of additional investment, worth 4 per cent of European output, is needed to get the 3.5 per cent growth needed to relieve unemployment, is close to Mr Delors' estimates.

THE LEX COLUMN

Life closes in

The regulatory grip on the life insurance industry is tightening, and not before time. The Securities and Investments Board investigation into mis-selling of personal pensions should not, by itself, cause shareholders much worry. Even if SIB finds widespread malpractice, the life funds of the companies concerned should bear the bulk of the costs. But the investigation comes at an awkward moment. Full disclosure of commissions and expenses demanded by government threatens to drive investors towards other forms of saving, while the review of taxes on savings promised by the chancellor before the Budget poses an unknown threat.

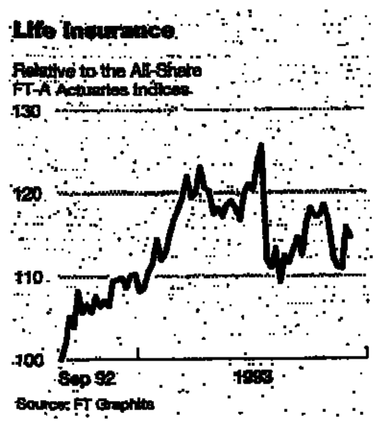
More immediately, the dull outlook for investment returns points to further reductions in bonus rates for policyholders. It might seem strange that bonuses should be cut again after such a strong performance from equities and bonds this year. But many life companies are still making amends for paying over-generous bonuses in the past. *Windfall stock market gains in* the 1980s are also dropping out of bonus calculations. With long-dated gilts now yielding less than 7 per cent, and UK equities only a shade over 3.5 per cent, the long-term prognosis for investment returns remains poor.

Since profits are linked directly to bonuses paid out of the life fund, shareholders will also feel the pain. Companies which keep expenses down and sales rising – despite the new disclosure regime – will prosper even when investment returns are low. The rest will find their ability to raise profits and dividends increasingly constrained. The gulf between winners and losers in life insurance looks set to widen.

FT-SE Index: 3234.2 (+10.3)

Life Insurance

Relative to the All-Share FT-A Actuaries Indices



Source: FT Graphite

UK markets

Yesterday's 10-point gain in the FT-SE 100 index shows London is still determined to take a positive view of the Budget, despite disappointing subsequent news from big companies like Hanson and GEC. In part that must stem from the prospect of lower interest rates, which loom a little closer after Continental cuts helped push sterling over DM2.56 yesterday. It helps, too, that the Budget was so positive for gilts. New gilt issues will be markedly lower in 1993-94. That should fuel demand just as base rate hopes buoy up the short end of the market and make funding even easier.

At some point, though, the equity market will have to respond to the earnings outlook. According to BZW, more companies have been reporting results below expectations than above them in recent weeks. This unusual phenomenon may reflect companies' *reluctance to guide forecasts down* ahead of results, but it also suggests the market is working on false premises. Nor does it seem to have factored in the risk to consumer confidence once tax rises start to bite next year.

With low interest rates reducing the attraction of cash, that creates something of an investment dilemma. The safest haven may be shares with a relatively high yield and secure prospects of dividend growth. That would explain the outperformance of water and electricity shares since Tuesday, not to mention the euphoric response to Royal Bank's 25 per cent dividend increase.

Brewing

The Budget has certainly brought some cheer to the brewing sector. Since Tuesday, Scottish & Newcastle is up by 10 per cent, Bass by 6, Whitbread by 5 and Allied-Lyons by 3. Though part of the reason is the pleasing second-half results from Bass, the main impetus came from the chancellor's decision not to raise the duty on beer. The Treasury seems finally to have realised that higher duty could simply see its revenue fall. The UK beer market is shrinking and, according to Bass, parallel imports from the Continent now account for 3 per cent of total domestic consumption.

In that environment, a taxation policy which reverses some of the discrimination in favour of wine and cider – duties on both were increased – can only help. But while the trend is in the right direction, the movement, saving perhaps 1p a pint on beer and adding 2p to the price of a bottle of wine, is minuscule. Factor that into the poor market conditions which wrought the concession out of the Treasury in the first place, and one wonders why the stock market is so excited.

The brewers which managed to push through large real increases in the beer price a couple of years ago do not have a particularly strong leg to stand on. But Bass is probably right to claim that in present conditions an actual cut in duties may be required to rekindle growth in demand. That is also an admission of how limited the scope is for the brewers to raise their prices. It has become even more difficult since Tuesday, when they were deprived of even the chance to slip a little into their own pockets when passing on the chancellor's duty demand.

Asda

Asda's decision to sweep its troubled Allied business under the carpet by handing it over to a rival operator is doubtless the right thing to do from the management's perspective. Allied was a peripheral loss-making business which had been consuming a disproportionate share of cash and management time. Since the late 1980s, Asda has poured more than £100m into Allied to little apparent effect. The company has incurred operating losses of £17.7m over the past two years and is unlikely to produce a glowing contribution to Asda's interim results, to be released later this month.

Nevertheless, the disposal will come as a severe blow to Asda's finances, requiring a £123.3m charge against its profit and loss account under the FRS3 regime. The acquisition of a 40 per cent equity stake in the enlarged Carpetland may offer little by way of compensation if the new owners find Allied's problems equally intractable. Still, it is worth recalling that the risky venture capital Asda retained in MFI eventually produced considerable rewards.

Asda will certainly benefit from being able to devote more management time to its grocery chain. The challenge on that front is growing stiffer by the day. Asda was able to steal a march on competitors two years ago when it became the first superstore to emphasise consistently low prices. Its rivals are belatedly responding.

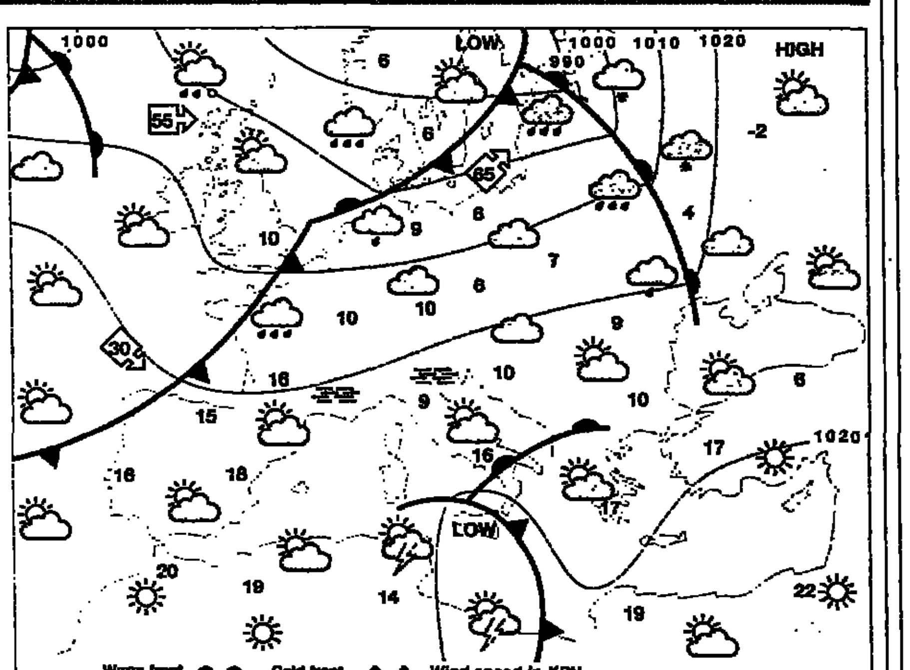
FT WORLD WEATHER

Europe today

Warmer air from the Atlantic will move further east to inland regions. The warm front preceding the mild air will bring snow, sleet and freezing rain over western Russia. There will be widespread snow over Finland and south-westerly gales over the southern Baltic. The extreme north of Scandinavia will continue to be very cold with brief outbreaks of snow. A cold front will cause rain in the north-west tip of Spain, northern France and the Low Countries. Clouds and drizzle will be general over Germany and Poland. The Mediterranean and surrounding regions will enjoy sunny conditions overall with only light winds. However, a disturbance over Tunisia will bring cloud and outbreaks of rain to southern Italy, Sicily and parts of Tunisia.

Five-day forecast

Conditions will remain unsettled over the north Atlantic, the North Sea countries and Scandinavia. There will be widespread rain over the British Isles and along the Norwegian coast. Temperatures will gradually fall on Wednesday as a maritime Arctic air mass moves south. It will be calm and sunny over the Mediterranean countries. Occasional showers are likely over southern Italy and Greece.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	26
Accra	cloudy	31
Algiers	cloudy	18
Amsterdam	rain	10
Athens	fair	17
B. Aires	fair	24
B.ham	cloudy	11
Bangkok	cloudy	34
Barcelona	sun	16
Beijing	sun	2
Belfast	fair	6
Belgrade	fair	9
Berlin	drzzl	8
Bermuda	shower	24
Bogota	fair	19
Bombay	sun	33
Brussels	rain	11
Budapest	cloudy	6
C.hagen	rain	8
Cairo	sun	22
Cape Town	fair	20
Caracas	cloudy	26
Cardiff	fair	10
Chicago	fair	4
Cologne	cloudy	12
D' Salaam	fair	30
Dakar	sun	26
Dallas	sun	16
Delhi	sun	28
Dubai	sun	26
Dublin	fair	7
Dubrovnik	fair	19
Edinburgh	shower	6
Faro	sun	19
Frankfurt	cloudy	9
Geneva	fair	4
Gibraltar	sun	19
Glasgow	hail	6
Hamburg	rain	10
Helsinki	blizzrd	3
Hong Kong	rain	20
Honolulu	cloudy	28
Istanbul	cloudy	11
Jersey	rain	11
Karachi	fair	30
Kuwait	sun	18
L. Angeles	sun	22
Las Palmas	fair	23
Lima	cloudy	23
Lisbon	fair	16
London	rain	12
Lux.bourg	drzzl	9
Lyon	fair	7
Madeira	cloudy	19
Madrid	fair	14
Majorca	fair	18
Malta	rain	18
Manchester	fair	9
Manila	shower	28
Melbourne	fair	16
Mexico City	fair	20
Miami	shower	29
Milan	sun	5
Montreal	rain	4
Moscow	cloudy	-9
Munich	fair	12
Nairobi	shower	24
Naples	shower	18
Nassau	shower	28
New York	rain	11
Nice	sun	11
Nicosia	fair	21
Oslo	rain	6
Paris	drzzl	10
Perth	fair	29
Prague	cloudy	6
Rangoon	fair	34
Reykjavik	fair	-2
Rio	shower	27
Riyadh	sun	26
Rome	fair	18
S. Frsco	sun	16
Seoul	cloudy	1
Singapore	rain	30
Stockholm	rain	7
Strasbourg	cloudy	8
Sydney	cloudy	27
Tangier	sun	19
Tel Aviv	sun	22
Tokyo	cloudy	10
Toronto	rain	7
Tunis	rain	14
Vancouver	cloudy	6
Venice	sun	10
Vienna	fair	5
Warsaw	cloudy	7
Washington	rain	16
Wellington	fair	19
Winnipeg	cloudy	1
Zurich	fair	8

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Weekend FT

SECTION II Weekend December 4/December 5 1993

The Long View/**Barry Riley**

When Scrooge becomes Santa

You would have thought Kenneth Clarke had produced a giveaway Budget, to judge from the astonishingly euphoric reactions. In fact he has loaded big new taxes on top of those pre-programmed last March by Norman Lamont. By 1995-96 the two 1993 Budgets will have imposed another £15bn in taxes, and over the next four years total taxes will rise from 34 to 38 per cent of GDP.

So how on earth, in the first pre-Christmas Budget, did such a Scrooge manage to present himself almost in the guise of Santa Claus?

Certainly the political presentation was as adroit as Norman Lamont's had been clumsy. In cleaning up the mess left by Lamont's gaffes over VAT on domestic energy Clarke seized an opportunity to appear as the pensioner's friend. He drew back generously from extending the VAT base further. Wretched public sector workers will bear much of the burden, and his tax increases were largely hidden and deferred. Indeed, you do not have to be very cynical to judge that many of the taxes have only been imposed in order to be flamboyantly removed again in the run-up to the next general election. So long, that is, as the economy performs more or less as expected.

Above all, this was a Budget for the financial markets. More than ever the markets are being driven by interest rates, which it now appears probable will come down further and stay down. Many institutional fund managers plot their investment strategy on the basis of computer valuation models which say that if long government bond yields fall the equity market must rise, almost in proportion. Because the decline in gilt yields this year has been sharp – more than two percentage points – the models say share prices are still cheap.

But the models may need to be tweaked. It is interesting to look back at the circumstances in which long-dated gilts last yielded the current 6½ per cent, in June 1967. That was a few months ahead of Harold Wilson's devaluation, in the early stages of the long financial deterioration which culminated in gilt yields of 16 per cent in 1974 and inflation of 27 per cent in 1975.

In June 1967 German bonds yielded a little *more* than gilts, at 6.9 per cent. Now, in spite of an intimidating borrowing requirement, German bonds return under 6 per cent. At home, Bank Rate was 5½ per cent, exactly as now. But the valuation of equities looked rather different: the dividend yield on the All-Share Index was 5.3 per cent, compared with today's 3.6 per cent.

It follows that investors today are considerably more optimistic about the prospects for growth in profits and dividends than they were in 1967. Do they have reason to be?

Before the Budget, the basic policy problem appeared to revolve around the threatened twin deficits – the public sector borrowing requirement and the adverse balance of payments. If you promoted economic growth the PSBR would decline but the trade gap would become much worse, and eventually destabilising. If you restrained domestic demand in order to control the external deficit the PSBR would expand exponentially, potentially becoming unfinanceable.

Entirely undaunted, the Treasury has swept such contradictions aside. It blithely assumes that the economy will grow remorselessly at a so-called "trend" rate of 3 per cent, regardless of the mounting tax burden. As for the trade crisis, this has simply disappeared. The latest trade statistics have miraculously improved (although the quality of the new post-Single Market European Union figures is highly suspect). Invisible earnings have conveniently become more visible. The current account deficit will only be 1¼ per cent of GDP next year, instead of 3 per cent.

The obvious precedent is the 1981 Howe Budget which orthodox economists predicted would lead to disaster but which paved the way for the growth of the mid-1980s. Higher taxes permitted reductions in interest rates (and a downwards float of sterling too). The Keynesians are a spent force these days but Wynne Godley, king of the doomsters, from his bolthole in America, has pronounced his curse on the Treasury's growth forecasts.

Essentially, Kenneth Clarke has completed the reversal of economic strategy following the failure of the UK's flirtation with the European exchange rate mechanism. While in the ERM we were forced to adopt Germany's lax fiscal policy offset by high interest rates. Fiscal policy is now being brutally rebalanced, but interest rates may need to go down to 4 per cent next year to offset the negative impact on the growth of the economy.

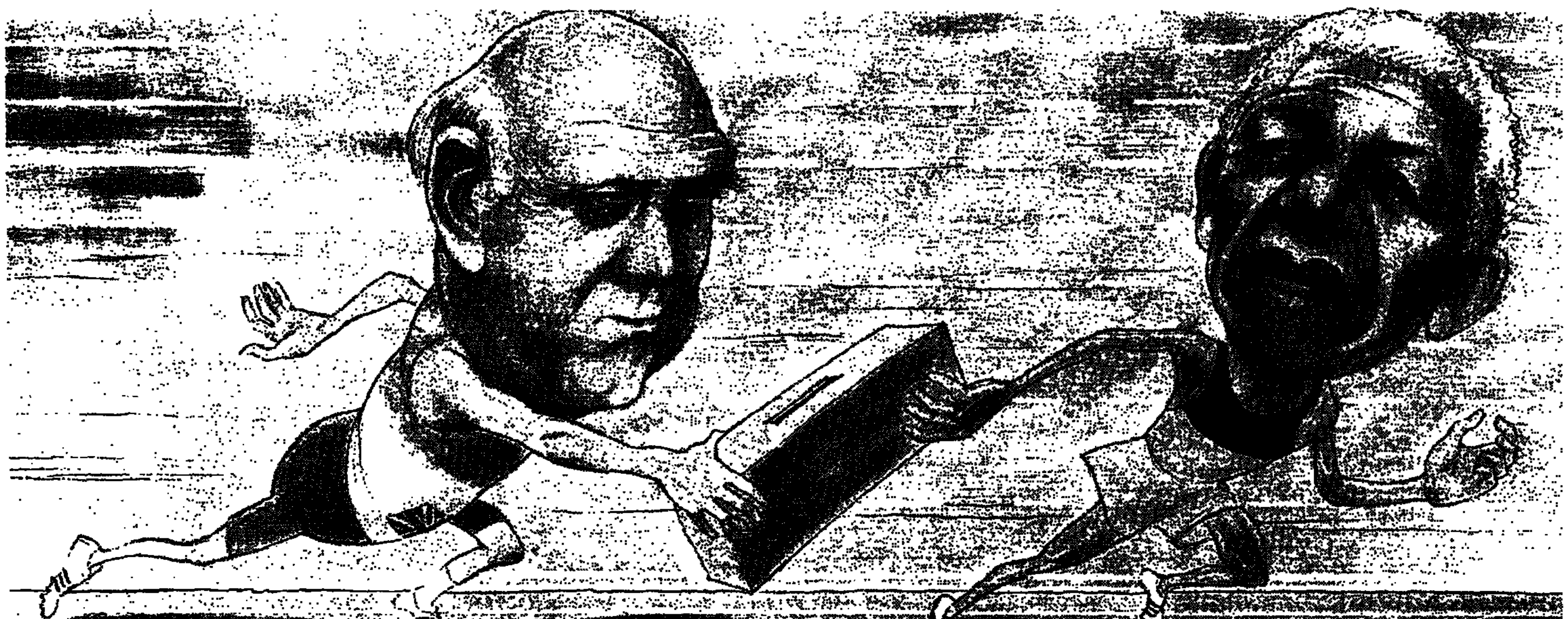
If the drop in the cost of capital, which the markets have been celebrating this week, gives a boost to investment and output, all will be well. But a re-run of the 1980s cannot provide the answer. That expansion depended far too much on the housing boom, not least on the stimulation from the release of housing equity that rose from £5bn in 1982 to £15bn in 1986 and a peak £22bn in 1988.

This mortgage-financed boom not only helped to create the late 1980s inflation but also tipped the economy off balance into excessive consumption. We must not go down this road again. In fact, by progressively reducing tax relief on mortgage interest the government is removing some of the financial fuel for a renewed housing market bubble (although it may need to go further). The question is, however, if we must not depend upon a housing boom to stimulate the British economy, what *can* we rely on? It is hard not to conclude that the equity market will soon be disappointed by the sluggishness of profits growth.

Santa-Scrooge this week took the British economy back through time towards financial stability. With luck, he has laid to rest the inflationary ghost of Christmas past. But for all the stock market's enthusiasm, it is less than clear that he will be able to summon up the expansive spirit of Christmas yet to come.

Why the whites handed over their power

Last month South Africa's white rulers agreed a new constitution which will end white hegemony. ***Patti Waldmeir*** *explains how it happened*



South Africa has delivered itself of a political miracle: sometime in the dark hours of November 18, almost imperceptibly, white hands let go their 350-year grip on the baton of power. The combined forces of history, economics, demography and morality had decreed the end of white rule; and South Africa's leaders had the grace – or the good sense – to recognise the inevitable.

The story of their conversion – which began in the late 1970s and reached a climax the night before the new constitution was signed – is strange and wonderful. History provides few enough examples of the triumph of pragmatism over ethnicity, or religion, and South Africa's National Party was scarcely famous for good sense in the decades of apartheid.

But in the pre-dawn hours of November 18, white hands seized black ones, offering the cult handshake of the African National Congress to seal a pragmatic new constitution; and the two men who struggled for months to complete the deal – Cyril Ramaphosa, ANC chief negotiator, and Roelf Meyer, his government counterpart – danced until the early hours, in an atmosphere heady with emotion and exhaustion.

In the days that followed, Meyer and his colleagues have continued to laud a constitutional deal which included many last-minute reverses for the National party – a deal which, in essence, permits what the party had always said was impossible: the handover of state power to blacks. Pleased now to have any deal at all after a tough four-year struggle, they are convinced that the voluntary power-sharing promised by the constitution will give them real clout.

Some days after the momentous night on which the new South Africa was born, I watched as a Meyer – boyish, handsome and charming – ducked into the ANC's private lavatory to fix his hair before posing for a victory photo. Moments later, the equally youthful and charming Ramaphosa did the same; then the two set off together, laughing, for their appointment with the photographer.

I reflected on the extraordinary trust and goodwill built up over the last four years of momentous change – and which will no doubt come under serious strain once the two parties start cohabiting in government – and recalled my first experience of South Africa: the day in 1985 when Archbishop Desmond Tutu (while I stood near) intervened to stop a township crowd burning a man to death during a political funeral.

That year – had I but known it at the time – marked perhaps the first inevitable step to black rule. When in 1985 President P W Botha promised equal citizenship to all South Africans, including blacks, the death knell sounded for apartheid, which had decreed that blacks must live separately as citizens of distant homelands.

It was not the first step away from white hegemony: as early as the late 1970s, the Afrikaner establishment – through its secret society, the *Broederbond* (Brotherhood) – had begun to debate sharing power with mixed-race Coloureds and Indians, but not with blacks who formed the vast majority of the population. A participant in one of the early *Broederbond* meetings on power sharing remembers, with a rueful chuckle, that it took place in the holiday home of H F Verwoerd, the late prime minister and grand architect of apartheid. Reflecting on the irony of history, the participant remembers that Prof Gerrit Viljoen, then chairman of the *Broederbond* and a prime mover of reform under President F W de Klerk, sat beneath a portrait of Verwoerd as he argued for an end to exclusive white power.

Then, in 1986, Pretoria opened secret negotiations with Nelson Mandela, serving his 23rd year in prison. His first interlocutor was, ironically, Kobie Coetsee, the hardline Minister of Justice who is known to oppose many provisions of the constitution agreed last month. Later, Botha set up a four-man committee to negotiate with Mandela, including two figures who remained prominent in the final negotiations: the sharp and ruthless Neil Barnard, former head of the National Intelligence Service and now head of the department of Constitutional Development, and Fanie van der Merwe, éminence grise in the government negotiating team.

Mandela told me and a few colleagues over breakfast in 1992 that he did not tell his fellow ANC leaders he had met Barnard and van der Merwe. "They would have refused," he said. Members of the committee say their aim in talking to Mandela was to discover whether he was committed to peace, and whether he was a communist. By 1989, Pretoria had clearly concluded, in spite of his continuing refusal to end armed struggle, that Mandela was essentially a man of peace. In July that year, he was taken to the presidential office at Tuynhuys in Cape Town to meet President Botha (who resigned from office weeks later). Mandela remembers the meeting fondly, recalling that President Botha "poured the tea himself."

From the day Botha left office, reform proceeded apace. For, although he laid the basis for the changes of the 1990s – repealing the nefarious influx control regulations which kept blacks out of cities, and which forced them to carry the hated passbook; legalising mixed marriages and relaxing residential segregation – he left the biggest risks untaken. History will laud President de Klerk, who took office as acting president in August 1989, for having the courage to leap where President Botha stood still.

Reform came in a rush with de Klerk's election on September 6, 1989. Mass public protest was legalised, political prisoners were released, the ANC and South African Communist Party were unbanned (on February 2 1990) and finally, on February 11 1990, Nelson Mandela, the world's most famous political prisoner walked free.

Speaking days before Mandela was released, Con Botha, the senior Nationalist politician who is now administrator (governor) of Natal province, told the *FT* that he and his colleagues felt a great weight lifted from their shoulders. "We have to make peace with our black people while we still have the chance."

F W de Klerk, who according to some of his colleagues was no early convert to reform, leapt at the chance to make peace before it was too late. Prof Viljoen, who retired last year because of ill health, remembers that the strongest impetus to change came after the 1989 demise of communist regimes which had been the ANC's main military backers. "We recognised it as a unique opportunity in the course of history, a God-given opportunity – we thought of it very much in Christian terms – to ensure that conflict in South Africa could be resolved."

De Klerk drew the parallel with Rhodesia: "When the opportunity was there for real constructive negotiation, it was not grasped," he said in February 1990. "We are determined not to repeat that mistake."

With Mandela's release, negotiations began in earnest – always on the basis, according to de Klerk, that whites "were not prepared to bow out apologetically from the stage of history."

His aim, argues Heribert Adam, the political scientist, was to pre-empt revolution: not to negotiate himself *out* of power, but *into* power under different circumstances which would have left whites with a veto over major issues, or at least substantial blocking power in cabinet).

Such a deal may well have been on offer early in the negotiations – although senior Nats argue that an early deal would have prevented the process of building trust with the ANC, the main business of the last three years.

That process has undoubtedly been successful: intense relationships developed over the months with government and ANC negotiators withdrawing regularly to bush hide-outs for cozy consultations. Their improved relations were shown on one fishing trip – which Ramaphosa claims was arranged without his knowledge – when the tough Ramaphosa removed a hook from Meyer's finger.

But by the eve of the deal, entrenched power sharing was no longer on offer. In the end the balance of advantage shifted decisively towards the ANC.

This shift began after the Convention for a Democratic South Africa, the multi-party negotiating forum, fell apart in May last year. At its May 15-16 plenary conference, the

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MARKETS

THE BUDGET AND YOU

London

Markets toast Clarke's health

By Peter Montagnon

Fancy that. Not only did chancellor Kenneth Clarke leave beer well alone in his first Budget, but when it was over you could still think of him as the kind of chap to spend an evening with in the pub.

Our Ken may be a bit pugnacious but underneath that bluff exterior ticks the decent heart of a man prepared to buy a round of doubles for the old folk to keep them warm in winter. The trouble is that just when the evening draws to close in a merry haze, you know he's going to turn round and say: "It's on you."

At the outset both the gilts and the equity market loved the Budget. The FT-SE 100, which had already risen 31 points on Tuesday, surged another 66 on Wednesday. Admittedly the movement slackened after that, but the net gain of 68 points over the last three trading days of the week was striking compared with the advance of only 15 points that followed Lord Lawson's give-away Budget in 1988.

Similarly gilts advanced about three points over Tuesday and Wednesday though the gains tapered towards the end of the week, partly reflecting caution ahead of next week's auction. That apart, there are plenty of reasons why the glow should last longer in the gilts market than for equities.

Not only did Clarke announce that £7bn of gilts already sold to banks and building societies would count towards next year's funding. He took another £5.5bn in tax increases and spending cuts out of the PSBR for next year on top of the £6.7bn already pencilled in by Norman Lamont. He promised a balanced budget by the end of the decade, which may stretch credibility a bit but is better than having no such target. And he forecast that underlying inflation would not exceed the government's 4 per cent ceiling next year.

So long as the spending controls work, this adds up to a recipe for lower gilt yields. Inflation will continue to be squeezed and the government's demands on the gilts market should fall below £30bn in 1994-95 compared with around £50bn this year.

What is good for bonds, though, is not necessarily the same for equities. So far the equity market seems blithely prepared to ignore the moment when the bills start to come in. The squeeze on consumer demand will become ever tighter after April. Clarke's economic growth forecast of 2.5 per cent may only work if the savings rate falls sharply and that is unlikely unless confidence revives. While the chancellor won plaudits from the City for fiscal rectitude and from Tory back benchers for restoring the government's grip, it was easy to forget that this year's two Budgets will take some £750 away from households earning £30,000.

There is some consolation for the equity market. Lower inflation and lower long-term interest rates make p/e multiples and yield valuations acceptable that would have been unthinkable a few years ago, as the yield-gap chart on this page shows. Besides, if fiscal austerity really does cause the recovery to falter, Clarke can always ring Eddie George at the Bank and tell him that, while the timing is of course now up to him, it would be a good moment to cut interest rates. That would help gilts and equities by prompting another big flow from bank and building society deposits.

The cosy theory that a strong gilt market should underpin equities depends, though, on gilts actually responding to the chancellor's treatment. There is room for doubt in both a domestic and an international context. The gilt market has much more grounds for worry about whether the chancellor will stick to his spending plans. If he does not, its PSBR estimates are thrown out of gear, but equities would benefit because fiscal policy is not quite as tight as previously assumed.

Moreover ten-year gilts are already trading at an unusually narrow spread of 66 basis points (hundredths of a percentage point) over US Treasury issues and 71 basis points over German bunds. Until the chancellor's credibility on spending is established with overseas investors gilts market trends will depend heavily on what happens in other markets. The sporadic nervousness in the New York bond market is food for thought.

For the time being it looks as though foreign investors still like the UK. The strength of sterling, above DM2.56 yesterday afternoon, bears this out. Shorn of foreign support which seems prepared to defy most rational criteria, though, the equity market could look as sorry sight. As striking as Tuesday's Budget was a string of disappointing results.

On Wednesday the General Electric Company warned that its profits this year would show little improvement over 1992 because of higher development spending on defence projects and poor markets for products like cables. At least Lord Weinstock will not even have to pay 1p a share for Ferranti's assets now, but it would help if he could find some useful way of investing that ever-mounting cash pile. GEC shares fell 13p to 324p on the week.

Argyll also chose Wednesday to report that its profits would be reduced by about £40m this year because of a decision to write down its stores. The announcement overshadowed a 6 per cent increase in interim pre-tax profits and raised worries about other food retailers who will come under increased pressure to do the same. Argyll fell 8p to 255p on the week.

On Thursday it was Hanson's turn. Its full year profits fell to £1.02bn from £1.29bn, the dividend was held and it warned of higher interest charges as its wheeze of borrowing in dollars and investing spare cash in sterling has become much less lucrative. It is also to float its housebuilding units to raise possibly as much as £500m. All that was worth a fall of 12½p to 266p.

Ladbroke baffled everybody. On Tuesday it disclosed that Michael Hirst, a senior director who runs its hotel division, sold just over half his holding. On Thursday the company announced that the sale was, however, unconnected by amicable discussions it was having with Hirst about his future. On Wednesday it also said it would pay a foreign income dividend, which institutions dislike because they cannot reclaim a tax credit. Yesterday Ladbroke began to backtrack, but the odds on this adding up to good news have lengthened. The shares fell 17p to 145p.

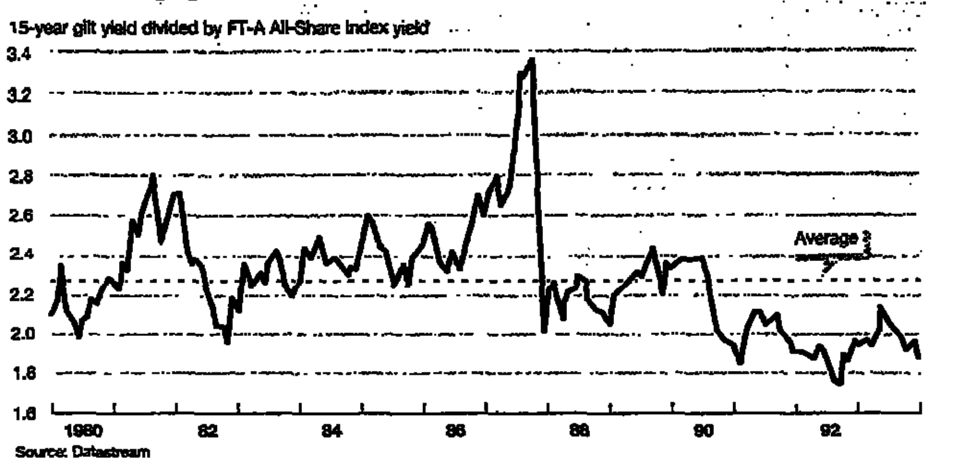
But it was not all gloom on the corporate front. Carlton Communications leapt 57p to 834p after Monday's agreed £624m bid for Central Independent television.

Royal Bank of Scotland stole the show, though, on Thursday with a surge in full-year profits from £12.6m to £265.2m and a 25 per cent increase in its dividend. It rose 46p to 384p on the week.

That underlines the attraction – in times of weak growth and low interest rates – of companies with secure and rising dividends. Other banks like Lloyds might benefit too. So would those ailing supermarkets if only they would cut their store opening programmes and pay surplus cash to shareholders instead.

UK yield gap

15-year gilt yield divided by FT-A All-Share index yield



Source: Datastream

BUDGET AT A GLANCE

MEASURES WHICH HAVE ALREADY BEEN IMPLEMENTED

- Indexation can no longer be used to create a loss for capital gains tax purposes
- All chargeable gains (for CGT purposes) made by individuals can be deferred, where the gain is reinvested in shares of a qualifying unquoted trading company.
- Retirement relief from CGT (for entrepreneurs selling a business) is extended. Full relief is available on the first £250,000 (previously £150,000) and half relief is available on the next £750,000 up to £1m (previously £450,000 up to £600,000).
- Vehicle excise duty up by £5 to £130.
- Rise in excise duties puts 11p on pack of 20 cigarettes, petrol up 3p a litre. Beer and spirits unchanged.

MEASURES WHICH WILL APPLY FROM JANUARY 1994

- Excise duties put 2p a bottle on wine
- New fixed interest bond for pensioners introduced.
- A new Enterprise Investment Scheme will give income tax relief, at a 20 per cent rate, to those investing up to £100,000 a year in a qualifying unquoted trading company.

MEASURES WHICH WILL APPLY FROM APRIL 1994

- Personal allowance frozen at £3,445 for those under 65, £4,200 for those aged 65-74 and £4,370 for people 75 and over.
- Relief on married couple's allowance restricted to 20 per cent.* The allowance is frozen at £1,720 but increased from £2,465 to £2,665 for those aged 65-74 and from £2,505 to £2,705 for those 75 and over.
- Blind person's allowance increased from £1,080 to £1,200.
- 20 per cent band increased from £2,500 to £3,000.*
- Higher rate threshold frozen at £23,700.
- Employees' National Insurance contributions increased from 9 to 10 per cent*. This will apply to weekly earnings of £57-£430 (compared with £56-£420 previously).
- Rate of Mortgage Interest Relief restricted to 20 per cent.*
- Capital gains tax and inheritance tax thresholds maintained at £5,800 and £140,000 respectively.
- Extra 50p a week for single pensioners and 70p a week for pensioner couples as compensation for VAT on fuel.
- Pensions scheme earnings cap up from £75,000 to £76,800.
- Permanent health insurance benefits will only be tax-free for the first 12 months, where entitlement starts after April 5.
- Tax relief on private medical policies for those aged 60 and over will be restricted to 25 per cent.

MEASURES WHICH APPLY FROM OCTOBER 1994

- New 3 per cent tax on general insurance premiums.
- New departure tax comes into force. £5 per passenger on flights to the UK and European Union; £10 for flights elsewhere.
- New childcare allowance of up to £28 a week available to help those on family credit, who wish to find jobs.
- Cold weather payments up from £6 to £7 a week (in winter).

MEASURES WHICH APPLY FROM APRIL 1995

- Rate of Mortgage Interest Relief restricted to 15 per cent.
- Relief on Married Couple's Allowance restricted to 15 per cent.
- Married couple's allowance for those aged between 65 and 74 increased from £2,665 to £2,995. The allowance for those aged 75 and over increased from £2,705 to £3,045.
- A single pensioner will receive a further 50p a week to help cope with VAT on fuel. Pensioner couples will get an extra 70p a week. Those on income benefit will get extra help.

MEASURES WHICH WILL APPLY FROM APRIL 1996

- Unemployment benefit will be replaced by the Jobseeker's Allowance, which will last for six months rather than 12.
- A further 30p a week help for single pensioners with VAT on fuel. A pensioner couple gets 45p a week. Further rises also apply to those on income support

MEASURES WHICH APPLY FROM 2010

- Retirement age for women up to 65, phased in over 10 years.

*Announced in the March Budget by Norman Lamont.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	3234.2	+122.8	3234.2	2737.6	Favourable Budget measures
FT-SE Mid 250 Index	3566.5	+111.6	3566.5	2876.3	Second-line stocks rally
Abbey National	452	+46	457	345	Rate cut hopes/housing starts
Barclays	609	+53	626	362	Low interest rate environment
Bass	531	+52	647	441	Strong sector & results
Central ITV	2650	+482	2678	1615	Bid by Carlton Comms
Euro Disney	413	+63	1180	268	Restructuring hopes
Grand Metropolitan	434½	+44½	480	373	Budget relief/good results
Heywood Williams	382	+45	386	186	Forecasts profits surge/US acqsn
Ladbroke	145	-17	222½	142	Share sales/FID concern
Micro Focus	1033	-290	3013	1033	Profits warning
Racal Electronics	162	-30	261	147	Interim loss
Royal Bank Scotland	430	+45	435	207	25% div increase/profits surge
United Newspapers	579	+52	593½	480½	Budget relief over VAT
Wolseley	793	+63	794	533	Buoyant building sectors

Serious Money

Clever, yes. Simpler, no

Kenneth Clarke's Budget may have gained the thumbs up from the gilt and equity markets, but on one important criterion, it deserves the thumbs down.

Simplicity is an important part of the tax system, and is not just of academic interest. When chancellors add layers of complexity, taxpayers have to devote more time to coping with the rules. Investors' decisions become determined not by the nature of the investment, but by the nature of the tax rules which apply to it.

It is much easier for individuals to plan their finances if the tax system is governed by consistent principles. If government changes to the tax rules are arbitrary, confusion results.

Nigel Lawson's reform made large strides in the direction of simplification; by the end of his chancellorship, for example, we had just two rates of income tax, 25 and 40 per cent. His three successors – Major, Lamont and now Clarke – have tinkered with the rules to make matters worse.

Let us start with tax reliefs. There was logic in limiting all reliefs to the 20 per cent rate of tax. This appeared to be the direction in which the government was heading in the last Budget when it reduced three items to 20 per cent; the tax credit on dividends, mortgage interest relief and the married couple's allowance.

Now, we have an additional 15 per cent band at which reliefs will apply from April 1995; on Miras and on the married couple's allowance. There is no 15 per cent income tax band, so this new relief does not fit the system. It means there will be four rates on which tax reliefs will apply – 15, 20, 25 and 40 per cent.

An alternative approach would have been to reduce the amount of the married couple's allowance from £1,720 and to limit the size of loan on which mortgage interest relief was granted to, say, £25,000.

The Treasury argues, however, that reducing the loan limit would have the greatest effect on those with the biggest mortgages. Reducing it to 15 per cent spreads the pain. Once a 15 per cent relief had been established for Miras, then it was logical to apply it to the married couple's allowance.

Again, there appears to be a contradiction. It might seem the Treasury's clear intention to phase out the married couple's allowance, as an anachronism in an age of independent assessment of men and women. However, the Treasury is increasing the married couple's allowance for those over 65 in each of the next two years. So is the married couple's allowance going or not?

Then we have the changes to capital gains tax. The old system of CGT was fairly complex, but it at least had some kind of inner logic; investors should not pay tax on gains which merely represented compensation for inflation.

The new system, explained by Scheherazade Daneshkhu on Page III, means indexation cannot be used to create losses. So if you invest £10,000 and, after five years, prices have doubled, you will not have a CGT loss of £10,000 to offset against gains elsewhere. If you make a *nominal* loss of £10,000, however (which would, in our example, mean the company going bust) you will still be able to offset that against other gains.

What seems particularly arbitrary and unfair is that the change applied immediately from Budget day. Investors will have based their planning on the rules applying at the start of the tax year. If, for example, they had already made gains of over £5,800, they might have planned to sell loss-making investments (under the old rules) to eliminate their tax liability. As one reader has written: "The goal posts have been moved in the middle of the match."

'Nigel Lawson made tax simpler - but since it has been made worse'

Then we have the "son of BES". The Business Expansion Scheme will be abolished from the end of this year. It has had a chequered history. It was designed to encourage investment in small businesses; unfortunately, many of the businesses failed. Then it was turned into a scheme for encouraging private rented property and ingenious sponsors devised ways of making it a rewarding tax break.

BES is being replaced with the Enterprise Investment Scheme, designed to encourage investment in small businesses. Private rented property is *excluded*. The rules are slightly different; relief is limited to 20 per cent, the amount which can be invested has increased from £40,000 to £100,000, and paid directors will qualify for relief. Nevertheless, we appear to be going around in circles.

One lesson is to beware of Budget predictions. Full tax relief on personal pensions is still in place, the BES was not abolished one month early; investors were therefore wise to ignore the "buy now while stocks last" pre-Budget hype. Decisions can now be taken in a calmer environment, although not, alas, in a simpler tax regime.

Philip Coggan

The Bottom Line

What Clarke did not do

Maggie Urry hears a sigh of relief from the pundits

If Mr Kenneth Clarke's first Budget was remarkable for one thing, it was what he did not do rather than what he did. Seldom have the stock market pundits been so wrong in their predictions of gloom.

Aside from the general euphoria with which the market greeted the Budget, a number of stock market sectors have rebounded in relief that the worst did not happen. Others have risen as the Budget raised expectations that interest rates and inflation would be lower than had been thought.

Ideas like that - plus good profit figures from Royal Bank of Scotland - have made the banks some of the best performers this week.

In the relief category must come sectors such as building materials and contracting and construction. While cut backs in spending - such as on the roads programme - and the creeping abolition of mortgage interest relief might appear bad news, the measures the chancellor ended up taking were by no means as bad as analysts had feared.

Housebuilders could even take heart from the suggestion of more social housing being built. Companies such as BICC were buoyed by news that the West Coast line refurbishment will go ahead, as will the Docklands Light Railway extension.

Another big concern had been the threat that tax-exempt investors, such as pension funds, might lose their tax credits on dividends. Clarke did not take up that suggestion which was good news for the life insurance companies, which manage a lot of tax-exempt money.

It was good too for higher yielding stocks, especially those where dividends are secure and expected to rise.

Sectors which have moved immediately on the budget may not be those which do well or badly over the next 12 months.

Utilities such as electricity and water stocks have been particular winners since the budget.

Another non-story as it turned out - though Clarke kept everyone guessing till the last moment with a rather theatrical performance - was the extension of VAT to more categories of goods.

The lack of the widely-expected VAT on books and newspapers has boosted the media companies, like Reed, EMAP, Daily Mail, Mirror Group Newspapers and The Telegraph. Also retailers such as WH Smith, J Menzies and Pentos were gainers.

Similarly, the chancellor's decision not to put VAT on food or children's clothes, as many thought he would, helped some stores groups. However, the benefit food retailers might have expected to see in their share prices has been more than wiped out by Argyll's decision on Wednesday to start depreciating its shops which unsettled the whole sector.

One of the best performing sectors, brewers and distillers, was another beneficiary of the chancellor not doing something, in this case putting up duties on most alcoholic drinks. The British have become so accustomed to a few pence on a pint at every budget that it was a real shock when it did not happen.

Even the bad news was not too bad. An area to which a new tax was extended, but in a very small way, was the imposition of a 3 per cent tax on general insurance premiums.

This might hit the composite insurance groups, and if the companies find themselves forced to absorb the tax it could add up to a substantial cut in profits – after all the tax is intended to raise £750m in a full year. But after hefty premium increases in recent years, the companies may be able to pass on the tax quietly to policyholders inured to rises.

Likewise, airport departure duties of £5 and £10 depending on destination, which will not come into effect until October next year anyway, are unlikely to make much difference to the price of package holidays, or to the profits of the likes of British Airways or BAA.

The big sector losers since the budget have largely been those affected by other issues – like the food retailers. The electronics sector has been hit by poor trading news from GEC and Racal, while a sharp fall in profits at Hanson dragged down the conglomerates sector.

The sectors which have moved immediately on the budget may not be those which do well or badly over the next 12 months. But it is much harder at this stage to predict which will be next year's winners.

Hopes of a continuing consumer-led recovery suggest consumer sectors should do well. Interest rate sensitive sectors should also outperform if the new expectation of base rates coming down further and staying down longer proves correct.

Wall Street

Good news runs rampant

Any doubts equity investors may have had about the strength of the US recovery should have been dispelled this week by what was probably the most positive batch of economic data seen since the end of the recession. In successive days, there was good news on consumer confidence, nation-wide manufacturing activity, personal income and consumption, and leading economic indicators.

Most important of all, the latest jobs data was very bullish. Government figures released yesterday showed that non-farm payrolls rose 208,000 in November (analysts had predicted a rise of around 140,000), and that the national unemployment rate dropped from 6.8 per cent to 6.4 per cent. cent).

Admittedly, there was some bad news - home sales fell and store sales were disappointing in November - but it was not enough to dent hopes that theUS economy could record growth of more than 4 per cent in the final quarter of this year, up from below 3 per cent in the previous three months.

Aside from the positive economic data, analysts will also have to start factoring into their forecasts the impact on growth of the latest declines in oil prices. This week, the price of a barrel of oil fell to $14.95, the lowest it has been in more than five years. The decline – which stemmed from last week's failure of oil exporting countries to agree on production cuts – may have rattled oil stocks, which have dropped sharply in recent days, but it should help the industrial and transport sectors.

One might think that all this good news would have provided a strong fillip to share prices this week. Think again. Stocks did rise over the five days, but not by much. From the opening on Monday to mid-morning yesterday, the Dow Jones Industrial Average had gained only 17 points, or less than half a per cent, while the Standard & Poor's 500 (a broader measure of share price performance) had barely moved at all.

The apparent lack of enthusiasm among investors about the economy has its roots in two factors. First, share prices are close to their record highs and stocks remain expensive in terms of company earnings, so investors are wary about pushing equities any higher. The Dow seems to have found a short-term ceiling around 3,700, and it is probably a question now of waiting for corporate profits to catch up with share valuations before stocks look worth buying again.

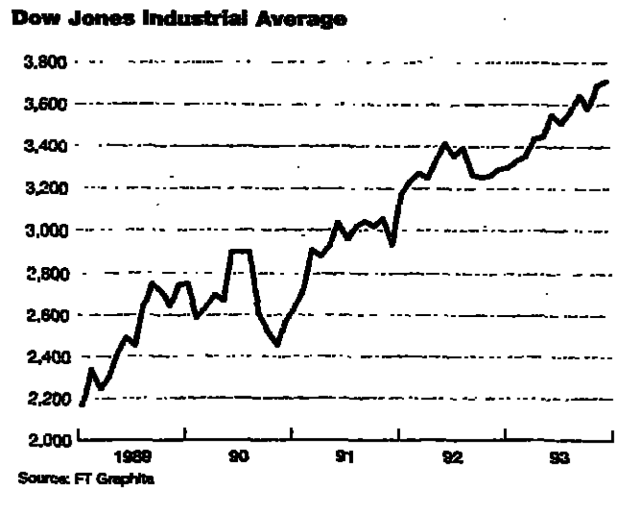
Second, concern about the outlook for interest rates continues to nag at investors. Bond prices may have stabilised this week, with the yield on the benchmark 30-year bond seemingly stuck between 6.2 per cent and 6.3 per cent, but investors appear convinced that long-term interest rates are only going to go higher, not lower, during the next six months to a year.

If interest rates do rise steadily over the next 12 months, the flow of investors' money into equities, which has been the single biggest factor driving prices higher over the past two and a half years, could begin to slow.

Although interest rates have been edging higher for little more than a month, an executive at Fidelity Investments, the largest US mutual fund group, noted earlier this week that some of the firm's clients had been favouring short-term money market funds over stock and bond funds in recent weeks. It is premature to sound the alarm about money flows, however. Money-market funds now return a miserly 2.5 per cent and it would take a big fall in stock and bond prices, and/or a significant increase in interest rates, before anyone other than the most conservative, risk-averse investor finds 2.5 per cent an attractive option.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3677.80	–	6.15
Tuesday	3683.95	+	6.15
Wednesday	3697.08	+	13.13
Thursday	3702.11	+	5.03
Friday			

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Capital gains tax

Unpleasant ingredient

Scheherazade Daneshkhu predicts that the move to end indexation for CGT losses will be very unpopular

Budgets are expected to throw up some unpleasant surprises, but the decision to end the use of indexation for capital gains tax losses will be particularly unpopular. Chancellor Kenneth Clarke included the measure among the tax "loopholes" rattled off at great speed in his speech.

Investors will now be able to use indexation only to reduce gains but not to create losses; since Tuesday, only nominal losses (ie, when the price of the asset has fallen) can be offset against gains.

"It's a fundamental change in the law and not a loophole," said David Rothenberg of chartered accountant Blick Rothenberg. "It will affect all those people with assets which have not increased in value since 1982. The approach of hiding it under the guise of anti-avoidance is underhand."

CGT is payable when you make gains on the disposal of most assets but there is an annual exemption of £5,800. (The annual exemption was not raised in either of this year's two Budgets). An investor must pay tax at his marginal rate on gains above this amount.

In 1982, an indexation allowance, based on the retail prices index, was introduced so that nominal gains achieved because of inflation were not taxed. The Inland Revenue releases the indexation factors, and the *Weekend FT* publishes a table every month explaining how to calculate your CGT bill based on these figures.

Former chancellor Nigel Lawson decided to make a number of changes to CGT in his 1985 Budget, to "produce a fairer tax" and "make life simpler for the taxpayer." One of these was to extend indexation to losses, so that a nominal capital gain would be treated as a real capital loss and the value of a nominal capital loss could be increased to reflect the real loss and to be offset against other gains.

Clarke has now reversed Lawson's change, with immediate effect. It complicates what was already a complex tax.

Maurice Parry-Wingfield of chartered accountant Touche Ross, said: "Once people realise what he's done, they are going to be extremely upset – think of all those people whose investments have gone down the drain.

"CGT was hell already. Now we're back to 1982-85, with all the unscrambling of history to do. Clarke is restoring all the anomalies, and it will make the calculations very complicated."

■ **What is the effect on the investor?**
Ignoring the situation before April 6 1982 – when indexation was introduced – and assuming that November's RPI is the same as October's (141.8), Parry-Wingfield offers the following examples of how the change now affects those with assets subject to CGT.

Suppose that you bought shares in April 1982 (after the 5th) for £10,000 and sold them last month for £1,000. If you sold them before Budget day, your allowable loss, using the indexation table published in last week's paper, would be £16,500. This is because the proceeds of £1,000 are deducted from the indexed cost of £17,500 (£10,000 x 1.75).

If, however, you sold them on Budget day, your allowable loss would have been only £9,000 because the £1,000 proceeds would be deducted from the unindexed cost of £10,000.

■ **What about transfers between husband and wife?**
At first sight, it might appear that husbands and wives can get around this rule by transferring loss-making shares to one another. Transfers between spouses are on a "no gain/no loss basis," which simply means that there is no immediate tax effect.

Since the spouse is treated for CGT purposes as having acquired the shares at their original cost *plus indexation* up to the date of transfer, some married couples could think that, by transferring loss-making shares to each other before selling them, they can preserve the indexation.

The Inland Revenue is going to prevent this, though, by introducing "special rules" so that the indexation applying to the cost of an asset transferred between spouses on or after Tuesday can be used only for gains, not losses.

Nevertheless, the indexation incorporated in the last transfer of shares between spouses before Budget day will not be affected and will still be available to create or increase a loss. This would appear to lead to some curious scenarios.

Suppose your spouse bought shares for £10,000 in April 1982 and transferred half of them to you in September 1991. The price of the shares kept falling and, by chance, you both decided to sell on Budget day, obtaining only £500 each.

Your spouse is caught out completely by Clarke's measure, in the same way as the investor in the above example. Your spouse's allowable loss is only £4,500 (50 per cent of £10,000 minus the £500 proceeds).

But the effect for CGT purposes on your sale is completely different. The indexation factor for April 82-September 91 is 1.661, so the indexed cost would be £8,305 (£5,000 x 1.661). Subtracting the £500 proceeds from this figure leaves you with £7,805 of allowable losses.

The Treasury says it expects the indexation restriction to raise £50m in 1994-95, rising more sharply to about £300m in 1996-97 – which, according to Parry-Wingfield amounts to a forecast of what losses people will make. Rothenberg added: "Farmers will be major losers from the legislation because of the fall in value of agricultural land since 1982.

"People with assets which have not gone up, including a second home, loss-making shares and failed businesses, will all be affected. These are people who expected to have allowable losses which they now will not have."

■ **CGT re-investment relief**
Although many people will be affected by the CGT restriction, fewer are likely to benefit from a CGT concession handed out by Clarke. This extends the CGT roll-over relief, introduced in the March budget for entrepreneurs selling their own company and re-investing in an unquoted trading company, to any individual.

The aim is to encourage people to invest in small businesses by holding out the carrot of deferring a CGT bill. But the type of unquoted trading companies into which investors could roll over their CGT liability is limited – excluded are those which hold more than 50 per cent of their chargeable assets in land, as well as most financial companies and subsidiaries. So investors are confined to the riskier end of the market.

As long as the shareholder does not emigrate within three years of buying the new shares, he can defer the CGT bill on their original gain. "It's bound to attract a lot of interest as long as the investment is not too risky," said Caroline Garnham, tax and trusts specialist at solicitor Simmons and Simmons. "The fact that there is no clawback after three years gives scope for planning."

Rothenberg said, however, that investors in quoted companies could sell easily because of their liquidity while the market for unquoted shares was less liquid.

"In practice, few people will want to sell and re-invest to postpone CGT, but the roll-over relief does give an opportunity to shelter a proportion of the gain," he added.

Andrew Jones, of accountant Ernst & Young, agreed. "Unquoted companies are not readily marketable, so it's not taken for granted that people would want to roll over CGT relief. I think the impact will be marginal."

Another positive CGT measure announced by Clarke was raising the limit on the amount of relief from CGT when a person sells a business (or some other assets) on retirement, provided they are 55 or over. Relief is now available on the first £250,000 (instead of £150,000) of gains, and half relief is given on gains between £250,000 and £1m (previously between £150,000 and £600,000). The exemption is reduced for those running the business for less than 10 years.

Doomed BES has twins

People hoping that chancellor Kenneth Clarke would say something about a "son of the business expansion scheme" – due to be abolished at the end of the year – will be pleased that the BES has spawned twins, writes **Scheherazade Daneshkhu**.

One is somewhat premature, since only sketchy details of "a new type of investment trust called a venture capital trust, to invest in unquoted companies," have been revealed. It will pay dividends free of income tax and gains will not be subject to capital gains tax.

This makes it similar to a personal equity plan, but other details will be worked out only after Clarke issues a consultation paper in the new year. The earliest legislation would be in the 1995 Finance Bill.

By contrast, the enterprise investment scheme (EIS) for new investment in qualifying unquoted companies is to come into effect from January 1; but since the legislation for it will not be in place until several months later, it is likely to get off to only a slow start. The main features are:

- ■ Income tax relief at 20 per cent (instead of at the taxpayer's marginal rate under the BES), and full CGT exemption.
- ■ Full tax relief for losses made on the sale of shares.
- ■ Investors can become paid directors.
- ■ Maximum investment raised from £40,000 to £100,000.
- ■ Investment in private rented housing will not qualify for relief.
- ■ Shares must be held for five years.
- ■ Carryback relief is £15,000, instead of £5,000 as under the BES.
- ■ Companies are limited to raising £1m, instead of the BES's £5m (apart from shipping companies, which are allowed £5m).
- ■ Qualifying companies must have traded in the UK for three years but do not have to be incorporated or resident there.

Ian Pugh of the Allenbridge Group, a BES analyst, said: "It's taking the BES back to its original intention as venture capital for small businesses.

"It is less attractive than the BES because it is less secure; and there is less scope for tax arbitrage since the front-end tax relief has been reduced from 40p in the pound to 20p. However, the CGT and income tax relief on loss can be exploited."

Charles Fry of Johnson Fry, a BES sponsor which invented the successul "loan-back" scheme, said the task would be to come up with packages attractive to investors combining the CGT roll-over provision extended by Clarke to all investors (see main article on this page). Investors would still have to pay CGT on their original gain.

John Snelgrove, partner for private client services at accountant BDO Binder Hamlyn, added: "We are back to the original BES scheme except that an investor can become a paid director."

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Mortgages

Borrowers pay more

Building societies generally were relieved that Tuesday's Budget eroded rather than killed *mortgage tax relief*.

On top of the cut in Miras (mortgage interest relief at source) from 25 to 20 per cent in April 1994, chancellor Kenneth Clarke announced a further reduction to 15 per cent from April 1995. Each change is expected to cost borrowers £10 a month on a mortgage of £30,000 or more.

Home income plans will not, however, be affected by the lowering of tax relief on mortgage interest. The Treasury made clear that tax relief on interest paid to allow elderly people to buy life annuities will continue to be available at 25 per cent.

Lenders are not rushing to pass on the pre-Budget base rate cut to borrowers. Lloyds bank has announced a cut in its standard rate from January for existing borrowers, taking it to 7.74 *per cent from* 7.99 per cent.

The lead in announcing mortgage rate cuts was taken by the Nationwide building society and National Westminster bank, which said on the day of the base rate reduction that they would cut their standard variable rate to 7.74 per cent from 7.99.

Nationwide added that the reduction meant a saving of £6.67 a month for those borrowers with a repayment mortgage of £50 000.

Their move was followed later that week by announcements from the National & Provincial, Newcastle and Northern Rock.

The latter moved in expectation of a further small base rate cut, dropping its base rate for new loans to 7.65 per cent from 7.99.

But others such as the Alliance & Leicester, the fourth largest society, are intending to wait for a further reduction before making any changes. Other lenders are likely to move between now and the *new year, when new rates* announced already will apply to existing borrowers.

A further reason for caution in moving on variable rates, however, could be the societies' desire to know more about the government's plans for the new guaranteed income bond for people over 65 before deciding what rates they can offer, to savers as well as to borrowers.

Even if some variable rates do not change in this period, new ranges of fixed-rate mortgages are likely to become available.

Abbey National, the UK's second largest mortgage lender, yesterday launched a new range of fixed-rate loans *for first-time buyers and other* customers. Rates for the latter vary between 6.39 per cent (apr 6.7) until April 1996 to 7.89 per cent (apr 8.3) to April 2001. Booking fees are £50-£300; redemption penalties range from 60 to 210 days' interest.

The loans are available with any repayment method and Abbey does not insist that customers take out compulsory insurance.

Bradford & Bingley building society is offering a rate of 6.45 per cent (apr 6.7), fixed until end-January 1997, for those wanting to move or re-mortgage.

The booking fee is £250, or 0.25 per cent for loans over £100,000, and no conditional *purchases are required.*

Alison Smith

Do-it-yourself tax

Revenue gears for change

The wheels are grinding slowly into action at the Inland Revenue in preparation for the move towards do-it-yourself tax returns.

In his Budget speech, Kenneth Clarke confirmed that next year's finance bill will contain much of the legislation needed for the new system. It means that around 9m taxpayers – all those who now receive tax returns, about half of whom are the self-employed – will be able to assess their own tax liabilities or refunds *and send the money directly to* the Revenue. There will be no obligation to use the new system, though. The Revenue will still receive tax returns and calculate the liability, but will require earlier submission.

While self-assessment will not operate fully until after the 1996-97 tax year, some self-employed people will start to be affected from next year. Any*one who creates a business* after April 5 1994 will be taxed on a current-year basis, in contrast to the preceding-year basis now in force.

Others who are operating businesses already will continue to pay on a preceding-year basis for the next two years, but will then begin to be involved in transitional arrangements.

For the 1996-97 year, tax returns will have to be submitted by September 30 1997 if the Revenue is to assess the liability; or by January 31 1998 if the taxpayer decides to calculate it.

After the transition year, taxpayers will pay up to half of their estimated tax for the current tax year at the end of each January, and an estimate for the remainder of the year at the end of July. Any adjustments for the final payment will be made in the following January.

Those who fail to complete their returns by these dates will be liable to a one-off fine – probably £100 – as well as interest.

Further details of the new scheme will be introduced in *the 1995 finance act. Issues still* to be determined include the design of the new tax return and the role of employers in the new arrangements.

Andrew Jack

Taxation

Freeze that will squeeze

The chancellor effectively increased taxes by freezing most allowances in this week's Budget. The personal *allowance, the higher-rate* band, the capital gains tax and inheritance tax thresholds – all will be left at their 1993-94 levels.

The impact of inflation on wages means that if allowances are unchanged, more people are drawn into the tax net, or the higher rate bands, with each succeeding year. The Rooker-Wise amendment in the 1970s tried to build index-linking into the tax system, but recent chancellors have felt free to ignore it.

Not uprating the personal allowance in 1994-95 will cost 20 per cent taxpayers £14 a year, and basic-rate taxpayers £17.50 a year. Failing to uprate the personal allowance and the higher-rate band will cost top-rate taxpayers £103 a year.

There were a few allowances which escaped the Budget freeze. The blind person's allowance will rise in April 1994 from £1,080 to £1,200, having been frozen for the past four tax years.

The earnings cap – the maximum level of earnings for which pensions provision may be made with tax relief – will *rise from £75,000 to £76,800 in* April 1994.

In addition, the 20 per cent income tax band will increase from £2,500 to £3,000 in the tax year 1994-95, a measure already trailed in Norman Lamont's March Budget. But it saves taxpayers a maximum of only £25 a year.

Another hangover from the Lamont era is the increase in employee national insurance contributions from 9 to 10 per cent. The band on which this rate applies has been increased *– from £56 to £57 at the lower* end, and from £420 to £430 at the upper. The combined effect of the changes will mean that anyone earning more than £22,360 will be £237 a year worse off.

One reform which some predicted – the restriction of tax relief on the personal allowance to 20 per cent – did not occur. But relief on the married couple's allowance (still frozen at £1,720) had been restricted already to 20 per cent, from April 1994; it will be restricted further to 15 per cent from April 1995. The changes will cost a basic-rate taxpaying couple £86 in 1994-95 and a further £86 in 1995-96; higher-rate couples will lose £344 in 1994-95 and a further £86 in 1995-96.

Couples aged between 65 and 74, while affected adversely by the above restrictions, will see their allowances rise from £2,465 to £2,665 in 1994-95; the allowance for those aged over 75 will increase from £2,505 to £2,705. Each allowance will rise by a further £330 in 1995-96. The income limit for age-related allowances, however, stays at £14,200.

Income tax rates were unchanged. So, for single people in 1994-95, there will be no tax payable on the first £3,445 20 per cent on the next £3,000, 25 per cent on the next £20,700, and 40 per cent above that. The CGT threshold for 1994-95 will be £5,800 and IHT £150,000.

Philip Coggan

The Week Ahead

Glued to Granada

Whatever the circumstances, the full-year results of Granada Group, the leisure, television and computer services concern, are bound to be interesting on Wednesday.

Of course the City is keen to find out whether Gerry Robinson, the chief executive who produced a 129 per cent increase in pre-tax profits to £130m last time can once again work a little magic.

There is also the question of how well the £360m acquisition of Sutcliffe, the contract caterer, is doing under the leadership of a man who came from Compass, the catering group.

Analysts are saying Granada and Robinson performed perfectly decently in the year to September and are looking for pre-tax figures, including the contribution from Sutcliffe, of around £165m.

On this occasion, however all minds will be concentrating not *on the dividend or the prospec*tive p/e, but on when Granada is going down the takeover trail blazed by Carlton Communications last week in its agreed bid *for Central.*

With high operational gearing in its glass-making business, forecasting profits from Pilkington is difficult and there is a wide range of estimates for pre-tax profits for the six months to end September to be reported on Thursday. Compared to £15.1m last year, forecasts are from a small increase to a doubling of profits. It is a question of how much better profits in the UK and US will be offset by continuing declines in Europe. Pilkington is expected to rebalance its *dividend having cut two finals* without a reduction in the interim, but the assumption is that the total for the year will be unchanged.

Airtours, the holiday group, announces full-year results on Monday, with pre-tax profits expected to be about £45m, compared with last year's £36.5m. This year's figure is after £9m spent on the failed attempt earlier this year to take over rival Owners Abroad.

Interest will focus on booking levels for this winter and next *summer and the effect, if any, of* the new airport departure tax announced in this week's budget. The group will also be questioned on progress on integrating Pickfords and Hogg Robinson, the two newly-acquired travel agents chains.

First half results from Scottish & Newcastle, the brewing and leisure group, on Monday, are expected to be *slightly ahead of* last year at about £108m. Lower brewing profits are forecast, reflecting the fierce competition in the free trade and take-home market. Pub profits, however, should be boosted by increased food sales. Center Parcs, where occupancies remain above 90 per cent, should make an improved contribution and some recovery is expected from Pontins.

Chubb Security, which demerged from Racal Electronics last year, is expected to report interim pre-tax profits of at least £32.5m (£26.9m) on Tuesday. An improved performance is forecast following cost-cutting and enhanced distribution particularly in the US and Australia. Although the cost reductions may result in some exceptional charges, analysts predict Chubb will still be able to pay an increased dividend of 1.7p (1.5p).

Siebe, the controls and engineering group, is expected to report an increase in interim pre-tax profits from £80.3m to more than £90m on Tuesday. Interest will focus on Eckardt, the German business it bought last *month, and the pace of recovery* in Siebe's international markets.

NFC, the transport and logistics group which reports on Wednesday, said in September that its pre-tax profits for the year to October 10 would be in the range of £95m, compared with £91m last time. However, that estimate is before the impact of exceptional costs from the restructuring which the group announced three months ago. NFC will also be quizzed over current trading levels, as it is seen as one of the best bellwethers of activity in the economy.

North West Water is expected to report interim profits of about £135m on Thursday, against *£130.7m last year, and a 7.3 per* cent increase in the dividend to 7.65p. The City will be looking for some clarification of plans for management succession after the abrupt departure of former chief executive Bob Thian.

Welsh Water is likely to report a small increase in interim profits on Friday from £75.3m to about £75.5m. The dividend is forecast to rise by at least 7.7 per cent to 8.4p. The non-regulated business, Acer, will be closely examined for any provision writebacks.

*Seven regional electricity com*panies report interim figures next week with City focusing on the dividends rather than the pre-tax profits line.

Eastern Electricity set a high target this week by announcing a 20 per cent dividend increase. Next week's results will begin with Northern Ireland Electricity on Monday, followed by South Wales Electricity and Midlands on Tuesday, East Midlands on Wednesday, Seeboard and Hydro-Electric on Thursday and Norweb on Friday.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Bennett & Fount ‡	2*	2½	4	2.10	Marlowe
British Syphon ‡	97	85	95	32.60	Graystone
Central Ind T/V	2600	2650	2168	758.00	Carlton Comms.
Multitone	143*	140	131	21.50	Champion Tech.
P-E Intl. ‡	75½	73	65	16.52	Cray Elect
Whitbread Inv Co ‡	799	895	690	504.17	Whitbread

*All cash offer. ††Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 3/12/93. §§Shares and cash. ¶Value of bid based on remaining 20% of shares. ◊Value of bid based on remaining 25% of shares. ☆ Net asset Value.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bass	B&D	Sep	608,000	(473,000)	38.3	(35.3)	19.8	(18.9)
BM Group	Eng	Jun	116,800 L	(34,600)	-	(25.0)	0.5	(5.0)
Butte Mining	n/a	Jun	540 L	(10,600 L)	-	(-)	-	(-)
Clyde Blowers	Eng	Aug	205	(141 L)	14.73	(-)	12.0	(7.3)
Control Techniques	Elec	Sep	9,140	(8,220)	15.3	(9.8)	7.5	(6.85)
Dakota	n/a	Sept‡	1,850	(1,780)	6.0	(-)	-	(-)
Dundee & London	InTr	Oct†	303.4	(220.8)	8.72	(10.84)	9.0	(12.0)
Dunton Group	C&C	May	3,790 L	(803 L)	-	(-)	-	(-)
Enviromed	Rels	Sep	546	(432 L)	7.13	(-)	-	(-)
F & C Pep Inv Trust	InTr	Sept†	116.9	(-)	4.32	(-)	3.4	(-)
Gartmore Value Invs	InTr	Apr†	44.3	(30.4)	1.85	(1.57)	1.905	(1.905)
Grand Met	B&D	Sep	630,000	(913,000)	20.0	(30.3)	13.0	(12.3)
Hanson	Cngl	Sep	1.02bn	(1.28bn)	14.1	(18.5)	11.4	(5.5)
Huntingdon	H&H	Sep	8,790	(14,400)	7.4	(11.6)	2.775	(2.775)
Leeds Group	Text	Sep	7,230	(5,530)	28.5	(22.1)	8.5	(7.33)
MEPC	Prop	Sep	81,000	(95,200)	15.5	(18.9)	20.0	(20.0)
Metro Radio	Med	Sep	2,360	(1,880)	9.4	(7.5)	5.5	(5.0)
Newspaper Publishing	n/a	Sep	486 L	(28)	-	(-)	-	(-)
Perpetual	OtFn	Sep	14,700	(4,790)	-	(-)	15.0	(4.8)
Royal Bank Scotland	*Bank*	*Sep*	*265,200*	*(12,600)*	*17.7*	*(0.7)*	11.0	(8.8)
Scottish Inv Tst	InTr	Oct†	280.0	(217.3)	5.48	(4.82)	4.9	(4.62)
Sep Industrial Hldgs	Eng	Sep	2,080	(830)	2.8	(1.42)	0.8	(0.65)
Sheafbank	Prop	Jun	1,760 L	(334 L)	-	(-)	-	(0.2)
Young (H)	Misc	Sep	787	(1,470)	3.0	(6.3)	3.3	(3.0)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Anglian Group	BdMa	Oct	12,200	(10,300)	4.7	(3.7)
Anglo United	Chem	Sep	6,500 L	(22,600 L)	-	(-)
Argyll	FdRe	Sep	217,300	(205,100)	3.75	(3.55)
Assoc Nursing Servs	H&H	Sep§	1,260	(725)	0.5	(-)
BCE Holdings	n/a	Sep	162 L	(168 L)	-	(-)
Borthwicks	FdMa	Sep	1,130	(1,280)	0.5	(0.5)
Bristol Evening Post	Med	Sep	3,100	(2,640)	4.25	(4.0)
British Bio-technology	H&H	Oct	8,810	(4,720)	-	(-)
Cambridge Water	Wtr	Sep	1,770	(1,690)	65.0	(55.0)
Cape	BdMa	Sep	6,100	(6,500)	3.0	(3.0)
Castings	M&MF	Sep	1,970	(1,590)	1.55	(1.3)
Dart Group	BsSr	Sep	1,250	(965)	1.3	(1.3)
Dawson International	Text	Sep	9,230	(15,500)	1.5	(2.9)
Drayton Blue Chip	InTr	Sept†	88.6	(71.5)	2.905	(2.905)
Eastern Electricity	Elec	Sep	77,400	(67,600)	6.6	(5.5)
EFM Income Trust	InTr	Oct†	56.8	(37.7)	1.0	(1.2)
Field	n/a	Oct	6,800	(5,9000	2.3	(-)
Fleming Far Eastern	InTr	Sept†	361.5	(219.7)	1.42	(0.98)
Fulcrum Investment Tst	InTr	Oct†	63.12	(-)	2.8	(-)
GEC	Elec	Sep	360,000	(356,000)	2.81	(2.68)
Gibbon Lyons	PP&P	Sep	980	(712)	2.2	(2.0)
Gibbs Mew	n/a	Oct	1,600	(317)	3.75	(3.0)
Harris (Philip)	Otln	Sep	378	(808)	2.2	(2.2)
JLI	FdMa	Sep	1,320	(1,840)	1.6	(1.55)
Johnson Matthey	M&MF	Sep	35,100	(33,200)	3.4	(3.2)
Kalamazoo	Elec	Sep	2,530	(936 L)	0.85	(0.25)
Latham (James)	BdMa	Sep	598	(54)	1.5	(1.5)
Learmonth & Burchett	Elec	Sep	201	(753)	-	(-)
Merrydown	B&D	Sep	932	(760)	1.0	(1.0)
Metrotect	Rels	Sep	659	(710)	1.15	(-)
Mid Kent Holdings	Wtr	Sep	3,800	(4,280)	5.0	(4.75)
Monks Investment Tst	InTr	Oct†	575.5	(472.2)	2.0	(2.0)
Mountview Estates	Prop	Sep	3,370	(3,610)	10.0	(8.0)
Northamber	Elec	Oct	54 L	(495 L)	-	(-)
OMI International	Otln	Sep	237	(2,690 L)	0.75	(0.75)
Racal Electronics	Elec	Oct§	388 L	(23,200)	1.5	(1.5)
Rowlinson Securities	Prop	Sep	1,110	(615)	0.24	(0.24)
Scapa	Otln	Sep	22,200	(20,000)	1.85	(1.6)
Severn Trent	Wtr	Sep	148,900	(140,800)	7.55	(7.0)
Stoddard Sekers	Text	Sep	167	(432)	0.75	(0.75)
Thwaites (Daniel)	n/a	Sep	3,170	(2,440)	1.2	(1.0)
Tinsley Robor	PP&P	Sep	12	(132 L)	-	(-)
Tops Estates	Prop	Sep	825	(918)	0.6064	(0.577)
Verson International	Eng	Jul	2,870 L	(5,610 L)	-	(-)
Vistec	Elec	Oct	1,260	(1,310)	0.125	(0.125)
West Trust	Text	Sep	172	(25)	0.2	(-)
Worth Investment Trust	Intr	Sept†	25.7	(25.5)	0.01	(0.01)
Wrexham & East Denb	Wtr	Sep	1,740	(1,070)	46.0	(40.0)
Yorkshire Water	Wtr	Sep	74,800	(71,800)	7.6	(7.05)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ‡ Figures in Irish pounds & pence. § Figures for 28 weeks.

RIGHTS ISSUES

Bourne End Properties is to raise £16.3m via a 3 - 1 at 65p rights issue.
Heywood Williams is to raise £50.6m via a rights issue.
ICL is to raise £100m via a rights issue.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Baring *Inv.* Mngmt. is to raise up to £80.5*m* via a new issue.
Chesfield is to raise £110m via a placing and offer.
Chiroscience is to raise £35 via a flotation.
Development Securities is to raise £29.3m via a placing and offer.
Fidelity European Valuesis to raise £17.8m via a placing of shares at 170p.
Linton Park is to raise £2.4m via an issue of 923,077 *shares* at 260p.
Millgate is to raise £6.6m via a placing of 17.8m shares at 40p.
NM Smaller Australian is to raise £25.8m via a *placing* of shares at 100p.
Stagecoach is to raise £4.75m via an issue of 3m shares.
Telspec is to raise £20.2m via a placing of shares at 160p.

RESULTS DUE

Asprey	Strs	Wednesday	1.10	4.0	-
Atkins Group	Text	Tuesday	3.60	4.25	-
Avesco	Med	Monday	-	-	-
Birkby	Misc	Thursday	1.0	2.63	-
Booth	Eng	Friday	0.7	-	-
Border TV	Med	Tuesday	1.3	2.0	-
Break for the Border	H&L	Thursday	-	-	-
Brown & Tawse	Otln	Friday	-	-	-
BSS	Eng	Tuesday	5.75	11.5	-
BTP	Chem	Wednesday	3.25	6.05	-
Caffyns Courts	Mtrs	Wednesday	5.0	6.5	-
Charter	Otln	Tuesday	7.0	15.0	-
Chubb Security	BsSr	*Tuesday*	1.5	3.25	-
Cook (D C) Holdings	Mtrs	Monday	-	0.6	-
Countryside Props	C&C	Wednesday	1.417	-	-
Creighton's Naturally	H&H	Tuesday	2.1	5.2	-
Crown Eyeglass	n/a	Monday	2.5	4.5	-
CRT	BsSr	Monday	0.65	2.15	-
de Morgan	Prop	Monday	-	-	-
Drummond Group	Text	Tuesday	0.75	0.75	-
East Midlands Electricity	Elec	Wednesday	5.72	13.78	-
East Surrey Holdings	Wat	Monday	4.10	7.36	-
Eldridge Pope	B&D	Tuesday	1.4	-	-
Enterprise Computers	Elec	*Thursday*	-	-	-
Equity Consort Inv Trust	InTr	Thursday	11.06	13.50	-
Evans of Leeds	Prop	Tuesday	1.43	3.14	-
Eve Group	C&C	Thursday	2.70	7.30	-
Feedback	Elec	Wednesday	-	1.5	-
Fine Art Developments	Strs	Thursday	3.0	9.75	-
Fleming Mercantile Inv Trust	InTr	Tuesday	1.67	1.67	-
Fuller, Smith & Turner	B&D	Friday	2.4	5.0	-
Great Universal Stores	Strs	Thursday	13.75	30.25	-
Hadleigh Industries	Eng	Monday	-	0.5	-
Hartstone	Misc	Thursday	2.8	-	-
Hicking Pentecost	Text	Thursday	2.35	2.65	-
Hoyle (Joseph)	n/a	Tuesday	-	-	-
In Shops	Strs	Wednesday	0.66	2.09	-
IWP	n/a	Monday	-	-	-
King & Shaxson	OtFn	Monday	4.0	5.0	-
Lazard High Inc Trust	InTr	Thursday	-	-	-
Leigh Interests	Chem	Monday	2.46	5.37	-
Lister & Co	Text	Tuesday	-	0.1	-
London Electricity	Elec	Friday	5.6	13.9	-
London International Group	H&H	Thursday	3.25	6.25	-
Lyons Irish Holdings	n/a	Thursday	-	-	-
M & G 2nd Dual Trust	InTr	Tuesday	-	-	-
Mansfield Brewery	B&D	Wednesday	4.4	11.0	-
Marling Industries	Otln	Monday	-	0.65	-
Mezzanine	InTr	Tuesday	-	-	-
Midlands Electricity	Elec	Tuesday	9.0	4.65	-
Moorgate Investment Trust	InTr	Thursday	1.7	3.8	-
Moorgate Smaller Co's	InTr	Thursday	1.8	2.48	-
Morris Ashby	M&MF	Tuesday	1.7	3.7	-
Northern Investors	InTr	Tuesday	2.0	3.5	-
Northern Ireland Electricity	Elec	Monday	-	-	-
Northumbrian Fine Foods	FdMa	Tuesday	-	-	-
North West Water	Wat	Thursday	7.13	14.27	-
Norweb	Elec	Friday	5.9	14.1	-
Oceonics	O&G	Tuesday	-	-	-
Oriflame International	n/a	Monday	-	-	-
Quilligotti	BdMa	Friday	-	-	-
Rolfe & Nolan	BsSr	Wednesday	2.56	4.65	-
Salvesen (Christian)	n/a	Thursday	-	-	-
Scantronic	Elec	Thursday	0.79	2.331	-
Scottish & Newcastle	B&D	Monday	3.78	11.07	-
Scottish Hydro-Electric	Elec	Thursday	3.6	7.78	-
Seeboard	Elec	Thursday	5.7	14.3	-
Shelton (Martin)	PP&P	Tuesday	0.75	1.5	-
Siebe	Eng	Tuesday	3.32	6.67	-
Sims Food	FdMa	Tuesday	3.0	4.5	-
Smith New Court	OtFn	Tuesday	1.0	5.0	-
Smith St Aubyn	n/a	Monday	-	-	-
South Wales Electricity	Elec	Tuesday	6.6	15.7	-
Stagecoach	Tran	Tuesday	-	-	-
Sterling Publishing	Med	Wednesday	0.8	2.4	-
Stylo	Strs	Friday	-	3.0	-
Syltone	Eng	Friday	3.15	6.3	-
Tams (John) Group	Misc	Tuesday	1.59	2.41	-
Taunton Cider	B&D	Tuesday	2.4	3.6	-
Templeton Emerging Markets	InTr	Tuesday	-	1.7	-
TGI	Elec	Wednesday	0.5	1.0	-
TR Technology	InTr	Thursday	-	1.75	-
Upton & Southern	Strs	Monday	-	-	-
Voga Group	Elec	Monday	0.97	1.86	-
Waltman	Eng	Tuesday	0.3	0.8	-
Welsh Water	Wat	Friday	7.8	15.7	-
Whitecroft	Otln	Monday	3.3	0.7	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.‡‡ = 3rd Quarter figures.

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FINANCE AND THE FAMILY

THE BUDGET AND YOU

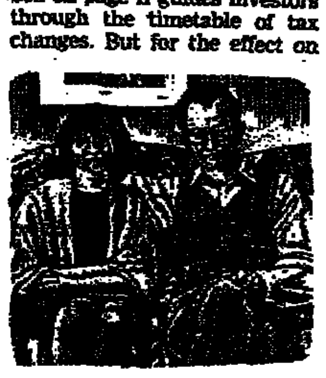
Families

Mr and Mrs Suburban: winners or losers?

***Philip Coggan** looks at the effects on three different households*

Two Budgets *in one* tax year create enough detail to confuse any taxpayer. What makes matters even more complex is that both Norman Lamont and Kenneth Clarke announced measures which would take effect in future tax years.

Our Budget "At a Glance" box on page II guides investors through the timetable of tax changes. But for the *effect on*



individual taxpayers, the *Weekend FT* asked Michael Bishopp and Clive Mackintosh of Price Waterhouse to analyse how three different households will face different tax bills in 1994-95.

■ **MR & MRS SUBURBAN.**
Mr Suburban has a salary of £30,000 and his wife earns £15,000. *He has* an *1800cc* company car, which cost £19,000 and he travels 5,000 business miles a year. They have a joint mortgage of £60,000 which bears an interest rate of 7.5 per cent per *annum. Following* an inheritance, they have investments of £80,000, yielding an annual gross income of £3,800.

The Suburban couple are losers from the combined Lamont/Clarke Budgets on a number of points. For a start, Mr Suburban who is a 40 per cent taxpayer, gets the married couple's allowance. Relief on that allowance is being restricted to 20 per cent from April 1994, reducing its value to Mr Suburban from £688 to £344. In 1995-96, the allowance will be limited further to 15 per cent, costing the Suburbans another £86 a year.

The couple will also pay a higher National Insurance Bill because of two changes; the increase in the higher rate from 9 to 10 per cent announced by Lamont; and the widening of the bands, from £56-£420 per week to £57-£430 per week, announced by Clarke. The combined effect costs Mr Suburban £232 and Mrs Suburban £112 in 1994-95.

The restriction of tax relief on mortgage interest to 20 per cent (another Lamont measure) from April 1994 will cost the Suburbans £112 a year.

These changes offset one of the few positive tax moves – *the widening* of the 20 per cent tax band from £2,500 to £3,000 – which will save the couple £25 a year each.

Mr Suburban's company car is taxed more heavily in 1994-95 because of a change in the tax system, introduced in Norman Lamont's last Budget. The new system is based on the list price of the vehicle when new, rather than on a combination of engine size and price as *before.* The change hits middle managers like Mr Suburban, who made optimum use of the old system which encouraged company car owners to own vehicles costing less than *£19,250 and* under 2,000cc.

All this means the taxable benefit of Mr Suburban's car will increase from £2,990 to £4,433, pushing up his tax bill by £577.20.

The couple also see their fuel bill increase by £74, because of the imposition of 8 per cent VAT, and, as they drink wine and smoke cigarettes, their expenditure on alcohol and tobacco will rise by £28 a year. The increase of 3p a litre on petrol increases their motoring costs by £113 a year.

Overall, the Suburbans are £1,542 worse off in 1994-95.

■ ***MR PENSIONER***
Mr Pensioner is single, over 70 years old and receives a basic pension plus SERPS, plus an occupational pension of £15 per week. He has neither savings, nor mortgage and drinks beer.

After the Budget, his basic pension will rise from £56.10 to £57.60 per week in 1994-95; of that increase, 50p is due to the VAT compensation package. Because he is a beer drinker, the Budget did not increase Mr Pensioner's alcohol bill.

VAT on fuel, however, will increase the amount Mr Pensioner spends on heating by £47.50 a year.

The changes appear to leave Mr Pensioner marginally *better off*, because the rise in his pension is higher than the rise in his fuel bill. However, the pension rise is, of course, designed to compensate pen-

sioners for price increases on other goods, such as food.

If one nets out that part of the pension increase which is solely due to VAT on fuel – £26 a year – one can see that it does not compensate the pensioner for the actual rise in the fuel bill of £47.50 a year.

■ **MR & MRS WEALTHY**
The Lamont/Clarke Budgets have provided mixed news for the Wealthys. Mr Wealthy earns £100,000 a year, has a company Porsche with a list price of £30,000, in which he

travels 10,000 business miles a year with fuel provided. He has already invested £25,000 in Business Expansion Schemes this tax year, which will earn him *£10,000* in tax relief.

Mrs Wealthy earns £30,000 a year and has a company Toyota Celica, with a list price of £20,000. No fuel is provided by the company; her annual business mileage is 2,000 miles. the couple has a joint mortgage of £60,000, at an interest rate of 7.5 per cent.

Mr Wealthy liked the safe, property-backed BES companies; he will not be tempted by the more risky Enterprise Investment Scheme, due to start in January. So, merely because of the end of the BES, he will pay a lot more tax in 1994-95.

But if one ignores the BES, the Wealthys are, surprisingly, better off because of this year's Budgets. This is because of their company cars.

In 1993-94, Mr Wealthy's car is taxed as part of the band worth more than £29,001; the taxable benefit is £10,400. For 1994-95, the taxable benefit is based on 35 per cent of the price of the Porsche (£30,000), with a one-third reduction because his mileage is between 2,500 and 18,000. The taxable benefit falls by £3,040; his gain is 40 per cent of that, or £1,216.

Mrs Wealthy also gains from the differing tax treatment of company cars. In 1993-94, her taxable benefit was £6,210, plus a 50 per cent increase because she drove less than 2,500 business miles, making the total £9,315. For 1994-95, the benefit is the cost of the car (£20,000) multiplied by 0.35, or £7,000. Her benefit falls by £2,315; her gain is 40 per cent or £926.

So even though the Wealthys suffer from a higher National insurance bill, a higher fuel bill and from reduced tax relief on their mortgages and on the married couple's allowance, the effect of this year's Budgets is to leave them better off by around £1,224.

The examples show that averages can be a misleading way of judging the effects of Budgets, because of the complex nature of each family's circumstances.

Even though analysis from the Institute for Fiscal Studies shows that the Budgets have had the greatest impact on the richest 10 per cent of the population, much depends on technical factors such as company cars and BES investments.

MR & MRS SUBURBAN

	1993-94	1994-95
Combined salary	45,000	45,000
Outgoings		
Total tax liability		
excluding mortgage	11,852	12,379
National insurance	2,908	3,252
Tax relief on mortgage	(562)	(450)
Tax relief on married		
couple's allowance	(688)	(344)
Alcohol and tobacco	1,747	1,775
Petrol costs - Mrs S	1,000	1,113
Household fuel	920	994
Total costs	**17,177**	**18,719**
Net cost of tax changes		**1,542**

Figures in £. for assumptions, see text — *Source: Price Waterhouse*

MR PENSIONER

	1993-94	1994-95
Income from state and		
occupational pension	4,217	4,296
Outgoings		
Tax	0	0
Alcohol	127.10	127.10
Fuel	540.00	587.50
Total outgoings	**667.10**	**714.60**
Total spendable income	**3,549.90**	**3,581.40**
Gain from changes		**31.50**

Figures in £. For assumptions, see text — *Source: Price Waterhouse*

MR & MRS WEALTHY

	1993-94	1994-95
Combined salary	130,000	130,000
Outgoings		
Total tax liability		
excluding mortgage and BES	39,390	47,570
National insurance	3,524	3,902
Tax relief on mortgage	(563)	(450)
Tax relief on		
married couple's allowance	(688)	(344)
Household fuel	920	994
Alcohol and tobacco	2,820	2,845
Motoring expenses of Mrs W	147	153
Total outgoings	**46,238**	**55,014**
Total outgoings ignoring bes	**56,238**	**55,014**
Net annual saving		
(ignoring BES)		**1,224**

Figures in £. for assumptions, see text — *Source: Price Waterhouse*

Guaranteed Income Bonds

Granny returns

The "Granny Bond" is set to return in the *form of* a new fixed interest National Savings vehicle aimed at those over 65.

The National Savings Pensioners Guaranteed Income Bond will pay a fixed monthly income, guaranteed for five years. It will only be available to those aged 65 and over. Interest will be paid gross.

The bond will be launched in the new year and full details will be available nearer the time. National Savings says pensioners will be offered "a decent, fixed rate of return that is within the structure of National Savings and market interest rates prevailing at the time of launch."

It will be interesting to see exactly how competitive the government intends to be. In 1992, the launch of the fixed rate First Option Bond attracted *so much money from* savers that building societies howled in protest. National Savings *promptly dropped the rates paid on the bond.*

Lower interest rates mean that building societies are having even greater difficulty attracting savings than in 1992. But the government needs a solid contribution from National Savings to help finance its deficit.

One must also question whether the new bond will be quite the boon that Kenneth Clarke, the chancellor, has implied. *As Clarke said,* interest rates are lower than they have been for a generation: locking away your money at current rates for five years may not be a sensible option.

The original Granny Bonds were index-linked National Savings certificates, which increased in value in line with inflation (these are still, of course, on sale but are available to investors of any age).

Philip Coggan

Student loans

Deeper in debt

Students will have to borrow more heavily to get through university – a consequence of the sharp rise in their numbers. The chancellor asked: "Why should the bus driver or the pensioner pay higher taxes to finance the living costs of tomorrow's lawyers?"

Grants, frozen in 1990 when student loans were introduced, will be cut by 10 per cent next year and by similar amounts for the next two years. Instead, the money available through the Student Loans Company will rise so the total funds available to students will rise by 4 per cent.

For the 1994-95 academic year, the loan limit from the SLC will increase to £1,375 for students in London, £1,150 for those elsewhere and £915 for those living at home. The maximum maintenance grant for students in London will fall from £2,845 to £2,561.

If the process of cutting the grant and increasing the loan continues as planned, by the beginning of the academic year in September 1996, the proportion of grant and loan for a student's living expenses will be roughly equal. The chancellor also cut the amount paid to universities for students' tuition, which may prompt some institutions to introduce tuition fees.

The National Union of Students said the full grant and loan are often not enough to live on, obliging many students to borrow from a bank or parents instead. A Barclays survey found the average student had debts of about £1,670.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Retirement pensions

Five-year shortfall for younger women

Women under the *age of 38 will* have to work an extra five years until the age of 65 before they can claim the state pension.

The Budget confirmed the government's intention to equalise state pension ages at age 65. At present women can draw the pension at 60, whereas men have to wait until 65. The change, which does not affect the pension rights of women aged over 44, will be phased in over 10 years between 2010 and 2020. The pension age for women aged between 38 and 43 will depend on where their birthday falls.

Younger women who still want to retire at age 60 may need to finance the five-year shortfall in pension benefits. Jim Roberts, pension director at Skandia Life, calculated that a 30-year-old woman would need to invest immediately a single premium of £6,250 in a *personal pension or a company* additional voluntary contribution scheme to achieve this. Alternatively, payments of £45 per month over the next 30 years would provide the same amount of extra pension.

The state pension comprises two elements – a flat rate benefit known as the basic state pension (currently £56.10 per week for a single person and £89.80 for a married couple) and a pension linked to earnings, known as Serps (the State earnings related pension scheme). Eligibility for both pensions depends on National Insurance contributions which are paid on "band earnings", that is earnings between £56 and £420 per week for the current tax year (£57 and £430 per week in 1994/95).

Changes to the way Serps is calculated, due to take effect for those retiring next century, will hit women since times of *low earnings will be taken into* consideration and will drag down the value of the pension. Women, who form 90 per cent of the part-time labour force, tend to spend long periods in low-paid employment to fit in with family commitments.

To help offset the impact on women's pensions caused by the rise in pension age and changes to Serps, the government has said that it will improve Home Responsibility Protection (HRP) which is claimed by "carers" (mostly women) of young children and dependent relatives.

The number of years women will be able to claim HRP is to be increased from 19 to 22 while the benefit, which currently only builds up an entitlement to the basic state pension, will be extended to cover Serps. The DSS said that from 1999 onwards carers who have just 20 years of earnings on which they have paid full rate National Insurance Contributions, will be entitled to a full Serps pension. There will also be greater flexibility to defer the state pension.

However, the phased reduction in the value of Serps from its original target of 25 per cent of average band earnings to 20 per cent will still go ahead after the year 2000.

Most European countries have already equalised their state pensions at age 65, or have announced plans to do so. But even before the latest changes kick in, the UK provides one of the lowest pensions in the European Union. *The UK pension (basic and* Serps combined) is worth a third of national average earnings, compared with two thirds or more in France, Greece, Italy, Luxembourg, Portugal, and Spain.

Debbie Harrison

To help offset the impact on women's pensions the government will improve Home Responsibility Protection

Social security

Doubts over child grant

Child care allowance was the only social security measure announced in the Budget to get a welcome from interested bodies on the day. But enthusiasm cooled as its restricted scope became plain. Essentially, the allowance will apply only to the poorest lone parents, mostly women, and can be claimed only by someone on family credit.

If the individual is spending money on child care, the DSS will "disregard" up to £40 of their earnings when calculating the credit. Under the complex credit rules, that translates *into a maximum benefit* of £28 a week. It will be available only to people working at least 16 hours a week and paying registered child-minders for care of under-11s.

"Does it meet the full cost of paying child care for a 37-hour week? No, of course it doesn't," said Treasury financial secretary Stephen Dorrell. He explained that the allowance was aimed at getting people back into the work force: women with relatively low earning potential now deterred from taking work by the cost of child care.

The allowance could, however, have the side effect of saving the government from a further appearance in the European Court. The Child Poverty Action Group had been backing an action claiming the government discriminated unfairly against women by not taking account of child care costs when calculating family credit, since far more women than men have responsibility for children. A CPAG spokeswoman said the plaintiff would have to decide whether to go ahead with the case.

Introduction of an incapacity benefit caused anger and consternation among organisations representing disabled people, *who said it was wrong* of the government to target savings of £1.5bn rather than aiming to meet needs. One of the benefit's most controversial aspects is the new medical assessment.

Social security secretary Peter Lilley said medical controls for the invalidity benefit – which it will replace – had been weakened by the fact that, in deciding whether someone was incapable of work, "non-medical factors such as age, educational qualifications and labour market conditions have to be taken into account." But Marilyn Howard of the Disability Alliance said such factors were an essential part of deciding ability to work, adding: "It has been recognised in law since 1946 and the National Insurance Act, and even prior to the first world war, that incapacity for work must have regard to the work an employer would *be prepared to pay for and the* work someone could be expected to do."

Meanwhile, the CPAG believes the "job-seekers allowance" – to replace unemployment benefit in 1996 but with a new maximum of six months – could land the government in the European Court because, inevitably, it would discriminate against women. The CPAG said someone who lost her job and failed to find another within six months would be unable to claim income support if she had a partner who was employed.

Barbara Ellis

Lilley . . . 'controls weakened'

Value added tax

A £1.5bn sweetener

Philip Coggan on the chancellor's compensation package

Kenneth Clarke and Peter Lilley, the Secretary of State for Social Security, worked hard to try to calm the political storm over the imposition of value added tax on domestic fuel.

While the chancellor did not reverse the change, as some people hoped, the compensation package was more generous than expected. More than £1.5bn of extra help will be provided over the next three years, in addition to the effect which VAT on fuel (at 8 per cent in 1994-95 and 17.5 per cent in 1995-96) will have on benefits linked to the cost of living.

The package is designed to compensate all pensioners, *widows and the long-term sick.* Those on income support will see their benefits uprated by 3.9 per cent, rather than the 3.5 per cent that would otherwise have been the case.

Nevertheless, charities felt the chancellor had not been generous enough.

"The measures announced will not fully compensate those with high fuel needs," said Sally Greengross, director of Age Concern England. "Fifty pence for single pensioners is only a half to two-thirds of what they need to compensate for VAT on fuel; 70p for couples is only around two-thirds of the amount needed. it is also important to remember that, although gas prices are coming down, the cost of electricity is rising."

Scottish charities also warned that VAT on fuel would have a particularly harsh effect on the elderly living north of the border where winter temperatures are much lower than in most of England.

The following examples of how the benefits will work in practice have been provided by the Department of Social Security:

■ **A single pensioner not on income-related benefits.**
As from April 1994, the basic pension will rise from £56.10 to £57.60 a week. Of this £1.50 increase, 50p is extra money designed to help with VAT on fuel. In April 1995, there will be a further 50p a week help, and another 30p a week in April 1996.

■ **A pensioner couple not on income-related benefits.**
The married couple's pension will increase from £89.80 to £92.10 a week in April 1994. Of this £2.30 a week rise, 70p is a supplement intended to compensate for the fuel charge. In April 1995, couples will see a further 70p a week in VAT-related increases, and another 45p a week in April 1996.

■ **A pensioner couple aged between 60 and 74, and on income support.**
In April 1994, such couples' pensions will rise from £95.25 to £99.25 a week. Of this £4 increase, 70p is VAT-related. In April 1995 and April 1996, there will be further VAT-related rises of 70p and 60p a week respectively.

■ **A couple on income support with two children under 11.**
As from April 1994, the benefit for such couples will increase from £108.75 to £113.05 a week. Of the £4.30 a week improvement, 45p is VAT-related. Further VAT-based rises of 55p a week and 70p a week will occur in April 1995 and April 1996 respectively.

Clarke also announced an increase in cold weather payments from £6 to £7 a week next winter, with a further 50p a week promised for the following winter.

Funds for the home energy efficiency scheme, which provides grants towards domestic insulation, will also be increased.

Insurance tax

Pru defiant, others wary

Within minutes of Kenneth Clarke completing his Budget speech, the Prudential issued a press release emphasising its "determination" not to pass the costs of a new 3 per cent insurance tax to customers.

Unfortunately for consumers, who have faced average rate increases of more than 40 per cent on home and motor policies already, most of the Pru's competitors will not be following suit.

The tax does not affect *long-term life insurance* (including endowments) or pension policies. But it will be charged on most classes of policy which are bought by individuals – such as home, motor and travel – and, on the whole, it looks like bad news for the customer.

The Pru, which insures 2m householders, says it will absorb costs through improvements in efficiency and Pearl Insurance will follow suit. "I have decided that our customers should not bear the cost," said David Pye, Pearl's general manager for general insurance.

Most companies seem certain to pass on the cost of the tax in higher prices, however. The Association of British Insurers, which represents nearly all of them, said the tax, which comes into effect next October, represents an "additional burden for our policyholders."

It added that the tax was "the last thing we wanted at the present time because the cost will need to be passed on to them." And Mark Boléat, director-general of the association, predicted the extra costs would amount to about 35p a week for most customers.

"Somehow, the cost will have to be passed on to the policyholder. I can't see how we can afford to absorb it," said Mike Jones, head of public relations for Sun Alliance, the largest insurer of homes in the UK.

Roy Randall, head of corporate relations at Royal Insurance, agreed: "The cost will have to be incorporated into *premiums eventually.*"

Legal & General, the fourth-biggest home insurer in Britain, says companies promising to protect their customers "have not fully thought through the implications, particularly to shareholders who have had very poor returns from general insurance in recent years. Neither have they considered how they will deal with potentially damaging tax increases in future."

There are widespread fears also that the 3 per cent rate could be increased in future years. Most European consumers pay higher premium taxes, with rates ranging from 7 per cent in the Netherlands to 10 per cent in Germany and up to 30 per cent on some French policies.

"This is the thin end of the wedge. When it comes to taxes, chancellors are like starving men – *they can never* get enough," said David Prosser, chief executive of Legal and General.

Richard Lapper

Business expansion scheme

New issues rush to beat the deadline

With less than a month before the business expansion scheme is extinguished, new issues are appearing with ever increasing urgency. Close Brothers has launched a second issue of BESSA RBS for the Royal Bank of Scotland to raise £20m. The BES will buy repossessed properties from the bank to be let on assured tenancies. While the first issue, launched in September, offered a fixed return of 120p for every 100p invested, the *exit price on the second issue* is 125p after five years, equating to a net annual return of 14.3 per cent for a higher-rate taxpayer.

Alternatively, investors can choose a 60p fixed return plus 2.6p for every 1 per cent rise in the FT-SE 100 index, subject to a maximum of 150p (FT-SE growth of 34.6 per cent). There are lock-ins when the Footsie has grown by enough to give a return of 125p and 150p.

RBS is providing a guaranteeing covenant and Best BES Advice, published by the Allenbridge Group, says this represents "excellent security." Minimum investment is £2,000 and investors can put money in both schemes.

Pilgrims Assured Homes, sponsored by Downing Corporate Finance and supported by the Bedfordshire Pilgrims Housing Association, aims to raise £5m to provide subsidised accommodation for low-income families. The contracted exit price of 128p equates to 14.3 per cent for a higher-rate taxpayer (the calculation of returns depend on a number of factors, such as when tax relief can be claimed). Minimum investment is £2,000.

Foundation 30 is a new type of arranged exit scheme from Capital Ventures to give investors returns *over 30 years.* The money is being raised for the College of St Mark and St John in Devon, which is affiliated to the University of Exeter. Investors will get tax relief on their initial investment, and a return after five years of 35p for every 100p invested. They *will sell* a fixed proportion of their remaining shares each year to get an annual and rising tax-free return for the following 25. This is envisaged at an initial 6.29p, increasing by 4 per cent a year.

BESt Investment, which analyses schemes, says the college should be able to meet its buyback commitments given the ground rent and fees earned by the college and says the scheme has merit for those about to retire or planning school fees. Minimum investment is £2,000.

Northern Counties Homemaker, sponsored by MMI, aims to provide newly-built homes in Rochdale and Wakefield for those on local authority waiting lists. MMI says the exit price of 124p equates to 14.6 per cent compound annual growth after five years for a higher-rate taxpayer.

Schemes which do not have an arranged exit include the Glasgow Student Village Companies, which will buy properties in Glasgow to let to students. The scheme should pay a regular dividend based on the rental yield.

Cirencester Properties Four will buy properties to let on assured tenancies in the West Country, while Luxury Family Homes, sponsored by MMI, will buy hotels to cater for adults and children. Minimum investment in all three schemes is £1,000.

Addington Equestrian Centre is to raise money to save the centre, based near Buckingham. Directors include Lady Zinnia Judd and David Broome, the showjumper. Minimum investment is £500.

■ *Best BES Advice (071-409 1111); BESt Investment (071-936 2037).*

Scheherazade Daneshkhu

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FINANCE AND THE FAMILY

THE BUDGET AND YOU

Payments in Kind

Tax-free gold barred

Employees can no longer look forward to a gold bar in their Christmas stockings. The government has closed a loophole which exempted payments in commodities from the National Insurance net.

The Department of Social Security (which is responsible for NI) has been fighting a cat-and-mouse battle with employers and their accountants for some years. The key element was that payments-in-kind were exempted from NI; with no upper limit on employers' NI, there was every incentive for companies to find unusual ways of paying staff.

Every time, the DSS blocked an NI avoidance scheme, such as gilts or unit trusts, some bright accountant thought of a new one. The last change in regulations, which referred to "financial securities", turned the focus to commodities.

Gold bars were the most common option, with the gold being held in Hong Kong or Switzerland, to avoid VAT. By arrangement with a bullion dealer, the employee quickly turned the gold into cash. Other commodities used have included coffee beans, giving employees the choice between Gold Blend and gold bars.

"These schemes were becoming fairly widespread, especially in the City," said David Rothenburg of accountants Blick Rothenburg. "I don't think anyone believed it was going to be allowed to continue."

The new regulations ensure that gold bullion, other tradable assets (principally commodities), and vouchers representing them, are brought into the NI net. The regulations achieve this by introducing a liability for NI contributions on "any payment made in the form of a beneficial interest in any asset capable of being sold on a recognised investment exchange or the London Bullion Market."

The Inland Revenue is also cracking down on commodity schemes, which have been used to avoid the Pay as You Earn system. The advantage of commodity payments was that, while employees were still liable to tax, they had to pay it much later than under the PAYE system.

The Revenue proposes to make employees account for PAYE tax when they pay their staff in marketable assets or "with assets which are not immediately marketable, but where the employer arranges for the employee to convert them into cash." PAYE will also be applied to vouchers and credit tokens which are used to provide these assets.

The Revenue regulations will come into effect after Royal Assent to the Finance Bill. The NI rules came into effect at midnight on Budget day.

It is not clear whether the cat and mouse game can continue. According to Caroline Garnham, tax and trusts specialist at solicitors Simmons & Simmons, "any loopholes will depend on the legislation. Until one sees the legislation, one can't see where the loopholes will be."

However the DSS said it would "continue to monitor closely any new schemes designed to circumvent liability for NICs. This will include cases where employers introduce convoluted remuneration packages which have no discernible advantage other than a limitation of NI liability."

Philip Coggan

Employee loans

'Victims' get a break

Cheap or interest-free loans provided by employers have been taxable as a benefit in kind for staff earning £8,500 a year or more. But the Inland Revenue now accepts that the rules can operate capriciously and has announced a thorough reform of the legislation, writes **David Cohen**.

Such a loan will be taxable only to the extent that the interest rate is less than the "official" rate – the taxable amount is the extra interest that would have been due, had the loan been at the official rate.

The official rate is set from time to time by the Revenue and is intended to be broadly in line with mortgage rates. But this has swept up two categories of employee who should never have been caught in this particular tax net.

The first comprises employees of banks and building societies who borrow from their employer on the same terms as ordinary members of the public. It is not unusual for mortgage rates to be below the official rate; while the official rate is 7.75 per cent at present, some lenders are offering mortgages under 7 per cent.

In future, employees of a company which lends money as part of its business and who receive loans on the same terms as outsiders will be exempt from tax, provided that the loans to the public are more than just a token few.

The other innocent victims are those who borrow in a foreign currency. Interest rates in currencies other than sterling will usually bear no relation to the official rate. But an employee who borrows yen at 4 per cent now will still be taxed on 3.75 per cent (7.75 - 4.0), even if 4 per cent is the market rate in Japan.

Acknowledging the potential injustice, the Revenue will in future be prepared to set a lower official rate for loans in a foreign currency where interest rates in that country are significantly lower than in the UK. But an employee will be entitled to take advantage of a foreign official rate only if he normally lives in that country and has actually lived there in the present year or the previous five years.

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

Private medical insurance

Old to pay more

Private medical insurance will become more expensive for the elderly. Private medical insurance premiums will be subject to the new 3 per cent levy from October 1 1994 and tax relief will be limited to 25 per cent from April 6 1994.

The over-60s enjoy tax relief at their highest marginal rate as a way of making private medical insurance more affordable for those leaving a company's private scheme because of retirement. Martin Werth at Munich Re, the reinsurance company, said he expected tax relief to fall to 15 per cent eventually, in line with other tax relief cuts, such as mortgage interest relief.

But the government is simplifying rules for insurers so that a PMI contract will no longer have to be certified by the Inland Revenue before becoming eligible for tax relief. Some married couples will benefit from one change. Under current rules, relief can be given where a contract covers a married couple, so long as one partner is aged 60 or over. But if one partner dies and the other is younger than 60, he or she does not receive relief for further premium payments into the contract. The new rules will allow the surviving spouse to obtain relief for the remainder of the contract and will apply to payments on or after April 6 1994.

The chancellor has made a change which will affect adversely those with permanent health insurance – the type designed to provide a replacement income when someone becomes too ill to work for an extended period.

Someone taking benefits from a PHI scheme can find that they are able to claim income tax relief on the benefits for up to two years depending on the date they first received the benefits. If, for example, they took benefits near the beginning of a tax year they would enjoy the income tax exemption for the rest of that year and the next year. However, the exemption is limited to 12 months. The change will take effect from April 6 1994.

Scheherazade Daneshkhu

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Teachers' BS	Bullion Share	0800 378669	Instant	£500	6.40%	½Yly
Northern Rock BS	Postal	0500 505000	Postal	£2,000	6.80%	Yly
				£10,000	6.85%	Yly
				£20,000	7.10%	Yly
NOTICE A/cs and BONDS						
Teachers' BS	Minster 90	0800 378669	90 Day	£1,000	6.50%	Yly
National Counties BS	90 Day	0372 742211	90 Day	£10,000	6.80%	Yly
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	8.10%	Yly
Chelsea BS	Base Rate Plus II	0800 272505	1.4.95	£5,000	7.50%A	Yly
MONTHLY INTEREST						
Birmingham Midshires BS	First Class	0902 645700	Postal	£500	5.60%	Mly
Bristol & West BS	Balmoral Monthly	0800 100117	30 Day	£10,000	6.55%	Mly
				£25,000	7.11%	Mly
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	7.81%	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
Progressive BS		0232 244926	5 Year	£1	7.75%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.00%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.60%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.69%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£10,000	6.75%	Yly
				£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.8.94	£5,000	6.70%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	4.75%	Yly
Prosperity Life FN		0800 521 546	3 Year	£25,000	5.23%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.65%	Yly
Liberty Life FN		081 440 8210	5 Year	£5,000	6.00%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%G	Yly
	Income Bonds		3 Month	£2,000	7.00%H	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. A = Rate guaranteed to be 1.5% above base rate (min 7.5%) until 2.4.94 and then 1% until maturity. G = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. I = 6.74 per cent on balances of £20,000 and over.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692-500 677.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
BLP Group	n/a	75,000	66	1
De La Rue	Pack	12,000	96	1
Forward Group	Elns	82,645	205	1
Guinness	Brew	84,112	373	1*
HTV Group	Med	40,000	38	1
Kenwood Appliances	Elcs	395,300	1,249	6
Marks & Spencer	Stor	692,738	2,788	3*
Marshalls	BdMa	20,000	23	1*
Redland	BdMa	23,713	128	2*
Smiths Industries	EngA	140,345	599	1*
Vosper Thornycroft	EngG	14,008	89	1*
Warburg SG	Merc	36,141	299	1*
PURCHASES				
Albert Fisher	FdRe	50,000	31	2
Alexandra Workwear	Text	10,000	17	1
EFT Group	OthF	50,000	21	3
Filofax Group	Pack	100,000	158	1
Gresham Telecomptg	Elns	25,000	36	1
Hazlewood Foods	FdMa	200,000	282	2
Laird Group	Motr	5,000	16	1
Masthead Insurance	LRI	60,000	60	3
Powerscreen Intl	EngG	48,500	143	3
Regalian	Prop	300,266	72	3
Ross Group	Misc	145,000	25	1
Sainsbury J	FdRe	7,500	29	1
Sedgwick Group	InsB	10,000	19	1
Sharelink Inv	OthF	30,000	108	2
Sherwood Computer	BuSe	25,000	24	1
Transatlantic	InsL	27,944	94	1
Wardle Storeys	Chem	40,000	166	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 22-26 November 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

Regalian Properties has been hurt by the property decline but business is picking up and three board members including the chairman and chief executive and finance director have all bought stock, increasing their stakes considerably.

Kenwood Appliances came to the market in July 1992 and has performed strongly since. Following the interim results, six board members have sold stock at 316p. Each retains a sizeable number of shares.

Forward has been a strong performer over the past 12 months, outperforming the market by more than 158 per cent. Interim results showed good growth. In May, the chairman and chief executive sold stock at 223p. Since then, the shares have shown further increases to trade around 230p level. P. Starkey is another director to take advantage of the price increase and sold stock shortly after coming to the main board.

Colin Rogers, The Inside Track

MINDING YOUR OWN BUSINESS / FINANCE AND THE FAMILY

THE BUDGET AND YOU

On Tuesday, the chancellor announced a string of measures that will help smaller businesses. ***Richard Gourlay*** *assesses the changes*

An early Christmas

It was greeted as the "best budget for small businesses in years" and "strong recognition of the problems that small businessmen and women face."

When Kenneth Clarke sat down after the first unified budget, there was little doubt that the small business community had enjoyed an early Christmas feast. Accountants, chambers of commerce and a host of lobby groups said almost all their pleadings had been accommodated.

True, the chancellor did little with capital allowances to stimulate investment in a direct fashion. And there was no joy for those calling for a subsidised loan scheme for small companies.

But there was much for small businesses to applaud, from measures to raise fresh equity for unquoted companies, moves to curb the late payment of debts and an assault on the paper work that can bury an entrepreneur.

■ After many years of lobbying, legislation to bring in a statutory right to interest on overdue debts is on the horizon. Or is it?

The chancellor could hardly have sounded more supportive of legislation.

But almost before he had sat down the Department of Trade and Industry stressed that legislation was only one option. Weaker proposals, including the voluntary approach which many business groups say has completely failed would be considered during a four-month consultation period.

The Forum for Private Businesses says that at any one time small businesses are owed more than than £50bn in overdue debts. This depresses cash flow for many companies struggling to raise funds from reluctant banks. The constant chasing of debts is also a drain on management time.

But there are problems with legislation. The most fundamental is that it would not alter the balance of power between small suppliers and large customers. It would take a very gutsy supplier to pursue claims through the courts.

Forcing companies to reveal the how much they were delaying payments might provide some form of moral suasion. Allowing suppliers to accrue interest and charge it, say when they ceased supplying a company, might add to the smaller business's armoury.

Ultimately smaller businesses might be best served by the publicity that late payment receives. "Legislation would provide something of a culture change in payment practices," said Richard Brown of the British Chambers of Commerce.

■ Small businesses will immediately benefit from modifications to the uniform business rate. Many properties in England and Wales are still covered by transitional relief to the higher rates that emerged from introduction of the UBR in 1990. The chancellor has halved the maximum increase in that increase. Owners of large properties will next year pay a maximum 10 per cent increase in their rates bill, where previously they were facing a 20 per cent increase; the rise for smaller businesses will be 7.5 per cent.

The relief is only temporary. Small businesses in the north of England will be aware that they will bear a greater proportion of the total business rates burden after the next property revaluation in April 1995 because of the relative fall in property values in the south.

■ The chancellor also gave an early Christmas to about 30,000 smaller companies. He has lifted the profits threshold below which the smaller company corporation tax rate of 25 per cent applies from £250,000 to £300,000. He has also widened the band for paying a marginal rate of 35 per cent to companies with profits between £300,000 and £1.5m. Above this the full rate remains at 33 per cent.

■ The chancellor also cut employers' national insurance contributions by one percentage point for staff earning less than £200 a week. The main rate fell 0.2 percentage points. One of the more notorious loophooles, however, has been closed. Companies will no longer be able to pay bonuses in kind and avoid NI contributions and PAYE.

■ On sickness pay, smaller companies were also picked out for favourable treatment. The chancellor raised the level for full reimbursement of statutory sickness pay to cover companies paying £20,000 in national insurance bills. Previously the cut-off was £16,000. Companies will also be repaid within four weeks instead of the current six weeks.

■ About 500,000 companies will be freed from the annual grind of preparing for a full audit. Companies with sales below £90,000 will no longer be required to produce any external verification of their accounts. The chancellor said that most companies with sales between £90,000 and £350,00 will only need an independent accountants report. However, banks are likely to remain as anxious as ever to have independent verification of their clients' financial affairs before lending.

Freed from VAT

Potentially the most immediate benefit for smaller companies from the Budget is the change to the rules governing VAT registration. By raising the threshold from companies with sales of £37,600 to £45,000 with immediate effect, the chancellor says some 75,000 companies will no longer need to register. This threshold has almost doubled over the last three years, removing a raft of companies from a net believed to be earning the Customs and Excise little or nothing.

"This relieves an awful administrative burden and makes smaller companies more competitive with larger companies", says Richard Brown, deputy director-general of the British Chambers of Commerce. But business owners would be well advised to hurry slowly before celebrating by burning VAT returns.

The first danger is that a business's sales may unexpectedly jump above the registration threshold. A business would have stopped charging VAT once it de-registered. But once the threshold was breached, Customs and Excise could assume VAT had been charged on all cash received by the business and might demand repayment, said Loughlin Hickey, partner at KPMG Tax Advisers. Before de-registering, businesses should consider with their accountants where sales are likely to be in the medium term.

There is another consideration. While filling in VAT forms is a harrowing experience, businesses may be enjoying an indirect benefit. "One of the disciplines of VAT is it makes people keep accurate records," says Hickey.

These might become increasingly important given the move towards self-assessment of income tax. From 1996, individual taxpayers will have to calculate their own tax liability. Many smaller businesses which are unincorporated and with sales below the VAT threshold will also have to adopt self-assessment. The Inland Revenue will almost certainly make sporadic audits of individuals who will, therefore, need good records to support what they have declared.

A lure for equity capital

The chancellor's most significant innovation for small businesses was designed to entice equity capital into unquoted companies. The small business lobby has long argued that people are discouraged from taking the greater risk of investing in unquoted companies because of the tax system. The chancellor went some way towards redressing that imbalance.

First, he extended capital gains tax re-investment relief to cover gains made from any source that are re-invested in unquoted companies. This means a private investor with publicly quoted shares, or a manager with share options, can sell his or her investment and pay no CGT if the capital gain is reinvested in an unquoted company. This measure goes much further than the roll-over relief introduced in the March budget.

Secondly, the chancellor has replaced the business expansion scheme with an enterprise investment scheme, which will allow investment in unquoted trading companies from January 1. The maximum any company can raise has been increased from £750,000 to £1m and any individual's investment from £40,000 to £100,000. The companies have to be trading – assured tenancy property companies, which gave the BES such a bad name – are excluded.

If the BES is anything to go by, the financial services industry will already be looking for loopholes. But the EIS seems better targeted, says Louglin Hickey of KPMG. By limiting the up-front tax relief to 20 per cent, it puts more pressure on the investee company to perform; with 40 per cent up-front relief under the BES, most of the return was secured by the low initial net-cost.

Investors will also be able to write off losses on the sale of unquoted shares against either income or capital gains tax relief. This should make investors less risk averse.

This measure has excited business angels, who could become a more important source not only of equity capital but of expertise. "These are the most attractive and appropriate incentives given to business angels and entrepreneurs," says Hamish Stevenson, director at Venture Capital Report, the UK's most established marriage bureau for businesses and business angels. "Investors can now be paid directors and contribute their much needed expertise as well as hard cash."

Thirdly, the new venture capital trusts will allow private investors who may not want to invest in a single EIS to invest in a portfolio of unquoted trading companies. The government will issue a consultation paper in the new year and promises details in the 1995 finance bill.

Profit-related pay

Loopholes go, lures stay

Kenneth Clarke's Budget speech might have been expected to reflect satisfaction at the success of the government's profit-related pay (PRP) legislation. Instead, he joined the sceptics who believe too many companies are introducing PRP to grab the tax relief on offer and not to create a genuine link between wages and profits. But while Clarke has now blocked two of the more blatant loopholes, PRP's tax-saving charms remain largely intact.

PRP is pay which varies in line with changes in the profits of the employer's business. It is usually calculated by applying a specific percentage to the company's profits: this amount will be the PRP "pool." PRP paid under a scheme registered with the Inland Revenue is tax-free up to a limit of 20 per cent of salary or, if less, £4,000. Hence, a 40 per cent taxpayer can reduce his tax bill by up to £1,600 a year while someone only taxed at the basic rate will have a maximum benefit of £1,000.

Any rational employer will welcome the chance to help staff to pay less tax; indeed, some may even hope to split the gain with their workers by, for example, using PRP as a justification for a wage freeze. At the same time, few companies - or, for that matter, employees - relish the uncertainty inherent in a genuine pay/profits link.

So, for the past few years, tax advisers have been racking their brains to devise PRP schemes which combine tax efficiency with predictability. But one type, which possessed both qualities in full measure, was killed off by the Budget.

It exploited the fact that an employer can impose an upper limit on the percentage of its profits which are to be taken into account for PRP purposes. The lowest limit which can be set is 160 per cent of profits in the previous year. Hence, a company which earned profits of £200,000 in the year before it started PRP could stipulate that, if it earned more than £320,000 in its PRP year, the profits above £320,000 would be disregarded. This upper limit is a sensible way to protect a company against freak results. In the wrong hands, however, it has been used for more devious purposes.

'Any rational employer will welcome the chance to help staff pay less tax'

The trick is for an employer to persuade staff to sacrifice part of their salary in return for PRP. If payroll costs are significant in relation to profits, then the salary reductions will give a considerable boost to the bottom line. If it is clear that, as a result, profits will rise by more than 60 per cent, the company can rest assured that the figure to be used for calculating the PRP pool will be 160 per cent of the previous year's profits.

Armed with this information, the employer will be able to calculate the PRP percentage that will produce precisely the amount of PRP it wishes to pay out. And the employees, knowing how much PRP they will get, should have no qualms about a wage cut.

The chancellor has now ruined this device by legislating that where a company's payroll costs are lower in its PRP year than in the preceding year, the 60 per cent threshold will be pushed up so as to negate the impact of the fall in salaries.

Apart from the need for a genuine link with profits, the other main strand of the government's PRP philosophy is that the benefits should be shared out between employees on an equitable basis. Payments pro rata to salary are acceptable – but not a scheme in which higher-paid staff receive more than they should.

Companies have been flouting this egalitarian ethos by exploiting the concessions granted to "special schemes." These are schemes which include employees of only part of a business but use the profits of the whole enterprise when calculating PRP.

Without such a concession, companies wanting to set up separate schemes for each constituent part of the business would be unable to include the "non-productive" units. In practice, however, companies have exploited the special scheme rules in order to pay disproportionately large amounts of PRP to a favoured group of employees, such as headquarters staff.

Clarke has blown the whistle on this type of discrimination. From now on, the ratio of PRP to payroll in a special scheme must be no higher than the equivalent ratio for the rest of the company's work force.

David Cohen

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

Funded unapproved retirement benefit schemes

Offshore perks curbed

The Budget dealt a blow to an increasingly popular offshore pension scheme that has allowed high earners to build substantial tax-free cash lump sums.

Over the past five years, certain executives have each been making contributions of over £50,000 a year to offshore trust funds now thought to be worth about £50m. These trusts, known as offshore Furbs (funded unapproved retirement benefit schemes), were an innovative response to the 1989 Budget clampdown on pension tax benefits for high earners.

The latest Budget measure will affect all new offshore Furbs, but existing arrangements will still be able to retain their attractive tax benefits – providing the rules of the schemes are not altered.

Furbs were designed to top up pensions for employees caught by the "earnings cap," now £75,000 but rising to £76,800 for the 1994/95 tax year. The cap affects members of company pension schemes set up after the 1989 Budget and members who joined any company scheme after June 1, 1989. For these employees, the maximum contributions to Inland Revenue-approved pension schemes for this tax year are limited to £11,250 (15 per cent of £75,000), while the maximum pension is £50,000 (two-thirds of the cap).

Furbs are company schemes recognised by the Revenue but "unapproved" for tax purposes. Those set up in the UK do not qualify for tax relief on contributions or tax-free roll-up of the fund, both of which are standard reliefs on "approved" schemes.

Benefits taken in the form of pensions are taxed, although only at 25 per cent. Lump sums can be paid tax-free and, for that reason, most Furbs have been set up to provide benefits in this form. Death-in-service benefits can be paid under discretionary trusts and, therefore, free of inheritance tax (IHT). Since Furbs are unapproved, there is no limit on contributions or benefits.

Until the latest Budget, offshore Furbs offered all these advantages, but with the added attraction that little or no income and capital gains tax was paid on the fund. This resulted in a much larger lump sum on retirement than would have been available under an onshore Furbs, which does not enjoy tax-free roll-up.

The Budget has scuppered this offshore strategy. The lump sum that is taken from any Furbs established after November 30 will be taxed at the employee's top rate. The tax will be charged on the difference between total contributions paid in and the total fund that emerges at retirement. In this way, the chancellor will bring lump sum payments from offshore Furbs in line with those onshore.

Neil Campbell, manager of pensions consultant Brown Barnett Waddingham, said: "There is no doubt that the chancellor has wiped out the main purpose of offshore Furbs."

Debbie Harrison

FINANCE & THE FAMILY

THE BUDGET AND YOU

Diary of a Private Investor / **Kevin Goldstein-Jackson**

Clarke's mixed bag

Kenneth Clarke's first Budget is, on closer inspection, much tougher than it originally seemed. For private investors, there was much to cheer: although it is disappointing that stamp duty on share transactions was not abolished.

Investors with large losses on share transactions will also not be pleased that they can no longer take advantage of the indexation allowances to increase their loss for tax purposes – although indexation can still be used to reduce the size of gains.

I welcome the proposed Enterprise Investment Scheme (EIS) which offers tax relief of 20 per cent on investments of up to £100,000 per year in qualifying companies. Shares have to be held for at least five years, after which gains made on selling the shares will be tax-free. Any losses made on such investments can be set against either income tax or capital gains tax.

I hope the chancellor will ensure that EIS legislation is drawn so tightly that crafty accountants and lawyers do not exploit the scheme in order to fund investors' private hobbies at the ordinary tax payers' expense. While the chancellor has said property companies will not be eligible and that qualifying companies will have to be unquoted trading companies carrying on a "qualifying activity" for at least three years, I hope that losses from golf clubs and yacht charters will not qualify.

It is good news that, unlike business expansion schemes, an investor who becomes a paid director of an EIS company will still qualify for tax relief on his investment. Hopefully, this will help to ensure that EIS companies have a better track record than the average BES. Directors with large personal shareholdings are more likely to ensure a company is profitable and if a business gets into difficulties it will be easier for a private investor to step in and help sort it out.

I also welcome the proposal for Venture Capital Trusts (VCT's) which will provide a spread of investments in unquoted trading companies. Dividends and capital gains will be entirely free of tax. This proposal is still subject to further consultation to "flesh out the details".

VCT managers should be banned from seeking high fees from the companies in which they risk their investors' money. While I accept the managers will need to run more thorough checks on the companies in which they invest than would be the case for quoted companies, large "upfront" fees could skew VCT's towards investments where managers might benefit more than investors.

Another welcome item was the extension of capital gains tax reliefs so an individual can defer tax on any gains if they are reinvested in a qualifying unquoted trading company.

The proposed National Savings Pensioners Guaranteed Income Bond for savers aged 65 and over could also have implications for other investors. This new bond is likely to suck pensioners' funds out of building societies. When a similar thing happened with the first option bond last year, the societies reacted angrily and interest rates on that bond were promptly cut.

Kenneth Clarke could take the view that building societies are overstaffed and need to make economies. So the bond could prove stiff competition for them. This could make it worthwhile for people to place funds with those societies which might pay investors a bonus to encourage them to vote in favour of a merger.

Share transfer query

I would like to give some of the shares I own to my children on condition that the dividends are paid directly to my wife by the company registrars.

Do you know if the registrars would carry out such a wish and, furthermore, would this arrangement be acceptable to the Inland Revenue?

That is to say for tax purposes would my wife show these dividends on her tax returns but not my children even though the shares are registered in their names?

■ What are you trying to achieve? If you mean that you want the dividends paid to your wife in her capacity as the children's guardian (to be credited to accounts in names such as "Mrs Maggie Briefcase for Adam Briefcase (a minor)", then that should be possible: you could, for example, transfer the shares into your wife's name with a distinguishing designation for each child, eg each child's initials, making it clear in a formal letter to her that it is not your intention to confer any beneficial interest in the shares upon her personally.

On the other hand, if you mean that you want your wife to be able to spend the proceeds of the dividend warrants just as she pleases, then you would have to create a trust, giving your wife a life interest or an interest for a fixed term.

This is something which you should discuss with a solicitor; it may be prohibitively expensive, unless you are talking about substantial sums. In this case, the dividends would probably be taxed as though they were your own income.

In the situation outlined in the first paragraph, the dividends would only be taxed as though they were your own income if they amounted to £80.01 or more in each tax year, by virtue of section 663(4) of the Income and Corporation Taxes Act 1988.

The figure of £80.01 is based upon the assumption that (a) you are talking about shares in UK companies and (b) the rate of tax credit does not change from the current one-quarter.

As we so often have to say to readers who seek our help, we could have given you a simpler and more helpful reply if you had given us more precise facts and figures.

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Holiday flat rental

My son, a US expatriate, owns a small flat in Limassol, Cyprus which I let to holidaymakers on his behalf, by advertising in the UK press and receiving the rents plus the returnable deposits here; the cheques being in my name. Sometimes I let the flat to Scandinavian and German holidaymakers who usually send cash by registered post. The rent is about £100 per week and the total income is about £3,000 a year gross.

The expenses are advertising, telephone/fax (payable in the UK), and water, electricity, gas, local property taxes, repairs, cleaning materials.

It is obvious that this service is provided overseas but paid for in the UK.

1) Am I liable to UK income tax?

2) Is he liable to UK income tax?

3) If either of us is liable to UK tax how can we arrange our affairs to avoid UK taxation?

■ It seems clear that your son's income from the letting of his flat in Cyprus falls only within the scope of case V of Schedule D (Income from foreign possessions); consequently it is exempt from UK tax for as long as he is not resident in the UK, by virtue of section 18(1) (a) (iii) of the Income and Corporation Taxes Act 1988. It is also exempted from UK tax by articles 6 and 22 of the US-UK double taxation convention, for as long as he is resident in the US.

You may like to ask your tax office for the free booklet IR20 (Residents and nonresidents: liability to tax in the UK).

Property/**Gerald Cadogan**

Miras: just when will it all end?

Only one question is left concerning mortgage-interest relief from income tax (Miras), now that the chancellor has reduced it to 15 per cent from April 1995 on the unchanged first £30,000 of a loan. When will it go for good?

It was 40 per cent three years ago. It is now 25 per cent and it comes down to 20 per cent in April 1994. It is a terminal case.

But the fall in interest rates more than compensates for the Miras cuts, and houses are more affordable now than five years ago. For buyers of expensive houses the cuts are negligible. First-time buyers, the TSB calculates, need 26 per cent of their take-home pay to service a typical mortgage, the lowest figure for 10 years. That will rise to 28 per cent in April with the Miras changes, and to 29 per cent in April 1995 – still an attractive ratio.

Another lollipop is that chancellor Kenneth Clarke is not applying his new 3 per cent tax on insurance premiums to long-term endowment assurance linked to a mortgage. But this is not a reason in itself for taking an endowment mortgage rather than an old-fashioned repayment mortgage. Endowment returns are less than they were, while repaying always reduces the loan – and the danger of negative equity.

The slow demise of Miras continues to put renting more on a par with owning. People enjoy more flexibility when distancing themselves from the capital commitment of buying, and it encourages owners to consider becoming private landlords.

Gross returns of 8 to 10 per cent are possible – and the net will be better than most forms of saving – and with assured shorthold lets owners know they can return.

The eventual removal of the Miras tax perk will help the public to see that owning one's own home does not have to be the top item in everybody's financial planning. Renting releases money for more productive investments, and stepping away from owning makes 1980s-type price booms less likely to happen again.

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The London property market escaped from its slough of despond a year ago when foreigners, seeing how affordable good properties had become, began to buy. But too few houses and flats are for sale in central London to satisfy would-be purchasers, many of whom are, by now, British.

In the past 12 months, the agent Aylesford has sold many properties, 15 of them with an aggregate value of £40m. Demand is strong for houses over £1m, in excellent condition with six to seven bedrooms and gardens and, preferably, freehold. Since May, the average price for houses sold by the firm's Chelsea house section has been £1.4m. For large family flats, preferably in Eaton Square, Cadogan Square or Onslow Square, buyers expect to pay more than £500,000. Lassmans, another agent, finds that foreigners look to Belgravia, Mayfair, St James's and "the better parts of South Kensington."

Flats must be in tip-top condition to attract buyers from Hong Kong and elsewhere in the Far East who want them as long-term (post-1997) investments. With many of the bargains and repossessions sold, the market is now more orderly. Its slight tilt to favour vendors will translate into higher prices.

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Astonishing it might be, but Eilean Aigas, the island in the middle of the Beauly river in Inverness-shire which came to market in the summer, has not sold. Savills (031-226 6961) has now reduced the price 25 per cent and invites offers over £600,000. That buys a 60-acre island idyll (*FT*, July 10) that has been in the Fraser family for 600 years.

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Any bids for lot nine, an obelisk and 35.5 acres? On Thursday, that will be the last item in an auction at Thornhill Park, near Sherborne, Dorset. Sir James Thornhill, architect of Moor Park in Hertfordshire and painter of the great hall at Blenheim Palace, designed the grade II* house (lot one) in 1730 and put up the obelisk (grade II) to honour the marriage of George II and Queen Caroline. The guide price for the house is £350,000, and £45,000 for the obelisk and land. The other lots are cottages and land. The agents are Michael de Pelet (0935-812 236), Symonds and Sampson (0305-264172) and Knight Frank & Rutley (071-629-8171).

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If you have no luck with the Dorset obelisk on Thursday, continue to Somerset to bid for a bear pit on Friday. Said to be the country's last surviving pit for bear baiting, it can be found at the back of Cricket Court at Cricket Malherbie near Ilminster, a grade II Georgian house. Guide price is in the range of £170,000-£210,000. Greenslade Hunt (0460-52171) will conduct the auction on instructions from Hambro Countrywide Relocation.

Gerald Cadogan

Chile feels the wind of change

David Pilling takes a bus ride through a Latin nation with more than a touch of California and the Hebrides

Weather broadcasts on Chilean television pose a problem. This sliver of a country, stretching 3,000 miles down the Pacific coast of South America, is too long to fit on the screen. Instead, chunks looking like chopped-up eel are paraded in a procession that takes viewers from the gritty desert of the north to the near-Arctic freeze of Tierra del Fuego. An equivalent broadcast in Europe would detail weather conditions along a 100-mile wide corridor between London and Baku.

As the weatherman rattles on about a heat wave 1,000 miles to the north, viewers in Santiago, which lies in the centre, have ample time to make a cup of tea. It is likely to be some minutes before the report has trudged its way to the capital – which could well be having a cold snap.

Chile's shape is not all that distinguishes it from its neighbours. The country, known as the Great Britain of South America, appears at first sight to have little in common with the rest of the continent.

Take the buses. Those who think of Chile as a romantic backwater may dream of clapped-out vehicles crammed with livestock, peasants and guitar-strumming revolutionaries, or tin wrecks driven by men with too little knowledge of the highway code but too much of tequila.

The reality is that the buses have aircraft-style reclining seats and attentive hosts who store your bags in overhead lockers and bring you breakfast after an overnight trip. Chile's buses are comfortable. They are smart. They leave on the dot and purr with efficiency. They are not romantic at all.

Then there is the capital, Santiago. There are no signs of carnival or fiesta, as elsewhere in South America, and no shanty towns cowering in the shadows of skyscrapers. There is little bustle or bother from street vendors or the incessant blaring of samba or salsa. In Santiago, the most obvious sound is the non-stop clinking and hammering of building workers beating out the rhythm of the city's construction boom.

In middle-class districts, such as Las Condes, Santiago feels more like southern California than South America. Mobile telephones, palatial shopping centres, sharp suits and slick coffee bars are signs of the conspicuous consumption enjoyed by the upwardly mobile in a country emerging from the austere shadow of its long-time strongman, General Pinochet.

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Preparing to leave the capital to head south, I found something more in keeping with my preconceptions. At an Italian restaurant in Santiago's "left bank," the waiter flourished distinct menus – *with* prices for the men, *without* for the women.

This was the understated machismo I had expected. It was particularly ironic because my wife was picking up the bill. The incident was obviously a good omen. Only 10 hours south of Santiago, a mere trifle in such an elongated land mass, everything began to feel more South American. This was the IX region – Chileans don't go in for fancy names – where Mapuche indians once put up Latin America's most stalwart resistance to the conquistadors.

The Mapuches' attachment to their land was not hard to understand; the countryside is magnificent. This was April – autumn in the southern hemisphere – and the poplar trees, planted in rows to mark off sections of land, flashed fiery yellow against their evergreen counterparts. Cows and horses grazed, fat and healthy.

To British eyes, there was a certain familiarity – but everything was on a vaster, grander scale. Trees towered and great birds swooped. This was England in a wilder age, with an African sky. As we drove along, cowboys cantered by the side of the road, great trunks of men mounted in the saddle. The sky began to glower and rain beat down, drowning out the sound of the bus's engine.

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After travelling more than 24 hours, during which the rain continued intermittently, the air had taken on a chill absent in Santiago. We were leaving the mainland by ferry for one of South America's biggest islands, Chiloe – although you would not have known by looking.

Storm clouds had descended to ground level and we took to a sea enveloped in mist. A thump, some 20 minutes later, told us we had landed on Chiloe, and the bus continued its ghost-like journey, weaving along a landscape as yet unseen.

I turned to my guidebook to find out what I was missing. Chiloe, it said, had a brooding atmosphere and a landscape reminiscent of the Scottish Hebrides, but with clapboard houses instead of stone crofts. For much of the winter, the island was enveloped in mists and rain. The reality was all too evident so I focused on more immediate surroundings.

The character of our fellow passengers was beginning to change as newcomers joined the city types who had boarded the bus in Santiago. Every now and then, it screeched to a halt and a bedraggled specimen of muscle and brawn, shrouded in rain-drenched clothes and reeking of fish, would emerge from the mist. The vehicle, once so orderly and clean, became almost surreal as wet hulks slid around the gangway while businessmen in suits shifted uncomfortably in their seats.

When the mist cleared, a gaunt, churned landscape came into view. Rough and tumble hills merged into the haze and trees battled the wind. The rain continued to lash the windows. Eventually, as fishiness within the bus neared danger level, the journey ended. The bus pulled into Castro, the island's capital, which has a tiny population and a huge wooden cathedral.

What might once have been an elegant structure, however, is now encased in corrugated iron and painted in lurid shades of orange and blue. From a distance, it looked a bit like the sort of papier maché project popular in infant schools. Indeed, most of Castro's ramshackle houses, which range in near-anarchy over the muddy terrain, are painted in similar hues but the traffic-light colours were deadened by the drab-grey sky and misty air.

We slipped and skidded down one of the steepest and muddiest streets towards the harbour, where boats – also plastered with colour – languished in the bay. We were looking for a hotel called the Unicornio Azul, which the guidebook described as an ideal sanctuary from the rain.

Eventually, we found it, although the Blue Unicorn was not instantly recognisable, being neither blue nor showing any trace of a unicorn. But its Dali-esque structure and selection of excellent Chilean red wines made up for the inaccuracies of its name.

As night set in, kestrels slid through the air above the trees outside our window. The television set babbled as we surveyed the bay, listening to the patter of rain against the water. Smoke billowed from nearby chimneys. The wind picked up, bringing with it the sound of a woman's mournful song.

The TV presenter continued in the background. He might have been talking about the desert in the north, or the Beagle Channel far to the south, or the weather in Santiago. It all seemed a long, long way away. I reached for the mute button.

■ **David Pilling arranged his trip with Cox & Kings (London tel. 071-834 7472), which has a brochure devoted to Latin America. Its 15-day Atacama, Andes & Beyond tour includes Chile's northern desert, Santiago, the lake district and Chiloe island. Price: £2,495 a person. The weather on Chiloe is mild between October and March. Cox & Kings also organises tours combining Chile with Argentina, Brazil and Peru.**

Pilling flew with Aerolineas Argentinas via Madrid, Rio de Janeiro and Buenos Aires. There are no direct flights between the UK and Chile.

The face of Chile . . . to British eyes, it has a certain familiarity – but everything is on vaster, grander scale

FT

Snapshot

All this and Reagan, too

The moment you see the policemen on bikes wearing natty blue shorts, you know you will like Santa Barbara. They patrol the town centre in pairs, mounted on black Raleighs. Whatever their abilities to catch criminals, they signify that Santa Barbara is a place to relax.

Santa Barbara sits on the central Californian coast about 100 miles north-west of Los Angeles. On one side are the steep and rugged Santa Ynez mountains; on the other, the Pacific. Even though an eight-lane freeway races through the city, there is a feeling of calm. Perhaps that is why former president Ronald Reagan chose to live there. It is smart, quite affluent and big enough to be interesting, yet not so big as to be a sprawl.

An exploration of Santa Barbara might start with the mission built by Spanish priests in the 1820s on a low hill just outside the central area. The sandstone church and outbuildings are quietly impressive and there is a shady, beautifully tended garden where you can while away a couple of hours.

From there you could stroll down State Street, Santa Barbara's main road. You are surrounded for much of the time by widely spaced, white-washed buildings with orange-tiled roofs, most of them built in the 1920s after much of the town was flattened by an earthquake.

Just off State Street is the Spanish-revival Santa Barbara county courthouse, a huge white structure which gives the judicial process a less-daunting aura than usual. The cavernous courtroom has a giant mural depicting Justice overcoming Evil, and there is a 70ft tower from which you get a marvellous view.

Further down State Street, after a huddle of bookstores, clothing shops and restaurants, the road widens out to the seafront where the true charm of Santa Barbara is revealed. You can walk – the more fashionable take out their roller-blades – for two miles along a narrow esplanade next to the sandy beach, with palm trees along the shore. Most Californians are too aware of the dangers to stretch out for long in the sun, so the beach is likely to be deserted except for a few volleyball players.

Nor is the esplanade likely to be crowded, even on a hot summer day. You might, however, need to move over once in a while to avoid the four-person pedal carts which you can hire for $12 an hour from Ocean Sportswear on State Street.

Be sure to save some energy for Stearns Wharf, a 120-year-old wooden pier that juts out 440 yards into the ocean where State Street reaches the beach. Unlike the tacky and expensive pier at Monterey, just up the coast, or the awful Fisherman's Wharf in San Francisco, it has style. The few ice-cream parlours and gift shops are pleasantly scattered and do not so much grab your money as ask politely if you want to part with it.

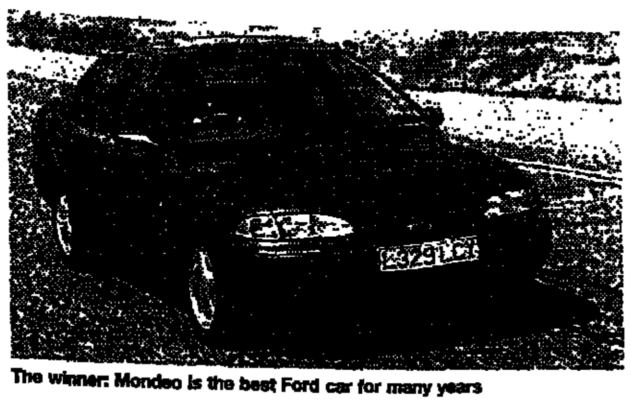
By now, you might want somewhere good but inexpensive to eat. If so, try The Bakery on East Anapamu Street, a delightful Italian café started about two years ago by Susan LoBello Sullivan. It is reasonably central and serves home-made breadsticks, strawberry waffles and pasta as good as you are likely to find in Rome.

After several days lazing around in Santa Barbara, climb into your hire car and drive 25 miles into the mountains to view Lake Cachuma, a giant reservoir which provides the city's water supply. Then, if you have the fortitude, travel a few miles further up the road to Los Olivos, a one-street hick town on the tour-bus itinerary which is peopled by loud women and men with cowboy hats. But be warned: in the summer, it will be stiflingly hot.

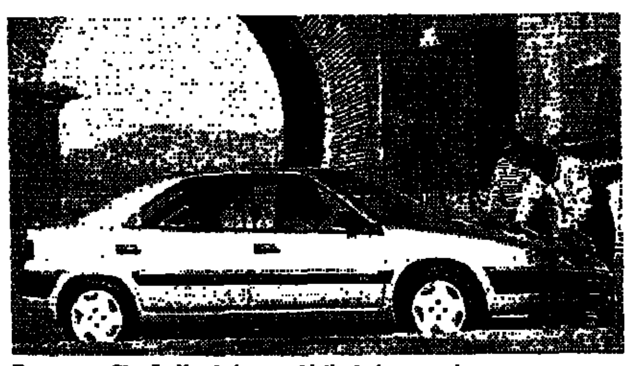
Wandering around provides a sensation similar to scraping your fingernail on a piece of glass. It is easy to think of the answer, though: climb into the car and, in an hour, you can be back on a bench on Stearns Wharf. Your central nervous system will thank you for it.

Peter Marsh

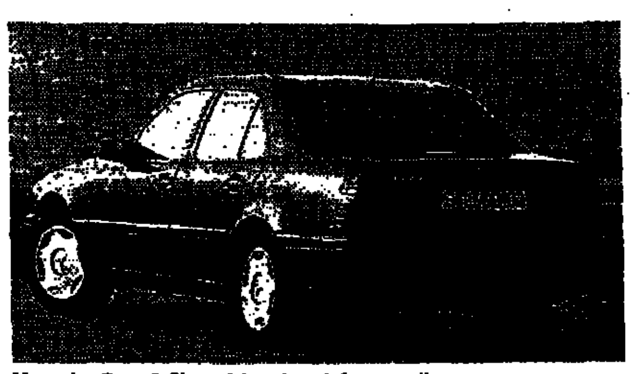
MOTORING AND SPORT



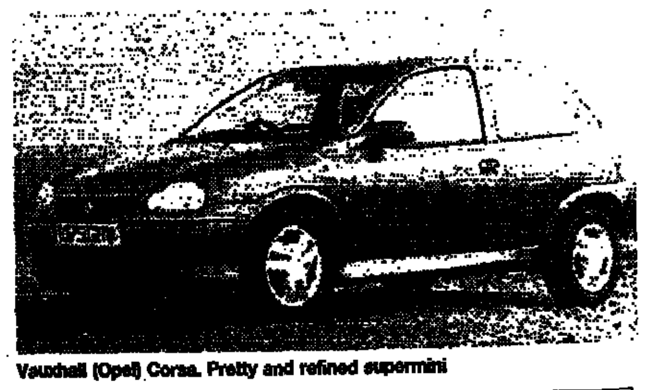
The winner: Mondeo is the best Ford car for many years



Runner-up: Citroën Xantia has sophisticated suspension



Mercedes-Benz C-Class. A benchmark for executive cars



Vauxhall (Opel) Corsa. Pretty and refined supermini

Car of the Year/**Stuart Marshall**

Why the Mondeo triumphed

In a tight finish, Ford just managed to snatch the laurels from Citroën

In a fighting finish, Ford's Mondeo pipped the Citroën Xantia at the post to become Car of the Year 1994. It was far from being a two-horse race – there were 15 runners – but Mondeo or Xantia simply had to win.

Two months ago, I forecast the Xantia would win narrowly. I thought it would gain the crucial extra votes because its self-levelling suspension gave it even better ride and handling than the Ford, and rear seat passengers had more room. Also, its urbane turbo-diesel version had appeared in mid-summer while the Mondeo TD still waited in the wings.

Had I driven the Mondeo turbo-diesel when I made my forecast, I might have put it a whisker ahead of the Xantia. It really is that good, as I discovered when I drove one last month.

Why did the Mondeo win, with 290 votes from the jury of 58 European motoring writers against the Xantia's 264? Mainly because 19 of the jury made it their first choice compared with nine for the Xantia. I believe there were two other reasons for this. One is that the Mondeo comes with crash-protecting airbags, which the Xantia does not get until next year. The second is that a complete range of Mondeo saloons, hatchbacks and estate cars is on offer whereas the Xantia comes only as a hatchback for now.

The fact that a PSA (Citroën-Peugeot) product had been chosen Car of the Year five times in the past 24 years, while Ford had won only twice, could also have had some influence, but Citroën will be disappointed. Three years ago, its class-leading ZX small/medium car was passed over in favour of the VW Golf MkIII and Vauxhall (Opel) Astra. At the time, it was said part of the reason was because the French had been winning too often to suit some of the jury.

The Mercedes-Benz C-Class, successor to the 190, was a good third this year with 192 votes while the Opel (Vauxhall) Corsa ran the C-Class close, coming fourth with 183. I had thought the Renault Twingo could have been third behind the Mondeo and Xantia but, in the event, it finished fifth (174), well ahead of the Peugeot 306 (108).

Sadly, Renault seems to have decided against ever making the Twingo in right-hand drive. Perhaps one of the many British who admire small, cheap and practical French cars will haul Renault before the Court of Human Rights in Strasbourg.

The C-Class is everything one expects from a Mercedes-Benz and has established itself already as the benchmark car in the compact executive class. It is marginally larger, considerably roomier and more sophisticated mechanically than the 190; even the diesels score a world first with four valves a cylinder. In Britain, it is priced little higher than the 190 equivalents. Fleet management companies forecast low rates of depreciation that will make it cheaper to run over three or four years than rival cars that cost less to buy.

Saab's 900 (seventh with 87 votes) did not make as strong a mid-field challenge as I had expected; I thought it would have been closer behind the C-Class. But the Seat Ibiza, as I forecast, was the best of the also-rans, attracting 64 votes. This was almost double the Rover 600's score (33) and practically three times that of the Honda Accord (28), with which the Rover shares mechanicals.

After that, a single European car (Lancia Delta) and a bedraggled bunch of Far Eastern products limped over the finish, by which time the winners were already in the unsaddling enclosure.

What does the award mean to a deservedly jubilant Ford? It will be worth millions of pounds in free advertising and set the seal of success on the best new product it has launched in years. Winning Car of the Year has only a short-term effect on sales of a poor car – and some duds have picked up the award in the past. But when a winner is as good as Mondeo, sales graphs will keep climbing long after the celebration is over.

Car of the year

How the jury voted

1 Ford Mondeo	290
2 Citroën Xantia	264
3 Mercedes-Benz C-Class	192
4 Vauxhall (Opel) Corsa	183
5 Renault Twingo	174
6 Peugeot 306	108
7 Saab 900	87
8 Seat Ibiza	64
9 Rover 600	33
10 Honda Accord	28
11 Lancia Delta and Mitsubishi Galant	11
13 Hyundai Impreza	2
14 Daihatsu Charade	1
15 Nissan Serena	0

Peter Gittoes

Learning the ropes: Panos Eliades, an accountant, has found the sums in boxing add up

Boxing/**Keith Wheatley**

Man who counts the champ's cash

Three years ago Panos Eliades had never been at a boxing match. Two years ago the Greek-Cypriot accountant would never have dreamt of flying to Las Vegas to watch Evander Holyfield regain the world heavyweight title from Riddick Bowe. Last month Eliades scarcely batted an eyelid when a deranged parachutist missed him by inches and landed in the ring during the Ceasar's Palace title fight.

After a couple of years as the backer and financial manager of World Boxing Council heavyweight champion Lennox Lewis, almost nothing surprises a man whose day-to-day business as one of London's biggest insolvency practitioners makes him not unfamiliar with human vagaries.

"My accountancy colleagues couldn't believe I'd ended up being involved with boxing. You've normally got to be a semi-hoodlum cum ruffian to have the credentials to be a boxing promoter," chuckled Eliades in the partnership's offices, an elegant Bloomsbury townhouse.

However unconventional his hobby, like the rest of his profession, Eliades can add up. He is deep in negotiations to mount a Holyfield/Lewis fight next spring. It would be a heavyweight watershed, unifying the World Boxing Association and International Boxing Federation belts held by Holyfield with the WBC crown held by Lewis.

It has the potential to be the richest bout in boxing's history. In sporting dollars it is a Superbowl. MGM are pitching hard for the fight to mark the March opening of its new hotel/casino complex. Its gaming area, wider than a 15-lane highway, will be the biggest in Las Vegas, and is expected to gross $305m (£205m) in the first year of operation.

"The Unification fight could be worth as much as $54m," calculated Eliades. The final values will depend on pay-per-view income from the HBO cable tv network, but Lewis would be guaranteed $10m, with Holyfield earning 50 per cent more.

As a co-promoter Eliades would be looking for a profit on the event and, as manager, 30 per cent of Lewis's purse – before expenses such training camp, air fares and hotel bills. "Don't just look at one fight. There could be three in a year and then you're looking at $15m annual gross profit which is good for any small business," Eliades enthused. "The figures in boxing are just enormous.

"Tyson is coming out of jail in 18 months. If Lennox can fight him whilst holding three belts, it will be the biggest ever .... $100m. Even the the nuns will watch that one."

Of course, one of the fascinations of boxing is the difficulty of getting even the most obviously desirable fight to the ring. Before the Holyfield/Bowe fight could happen a contender named Michael Moorer with a contract to fight Holyfield had to be paid $1.5m to step aside. It could cost treble that to make Moorer step aside a second time.

There is also the sub-plot of one Michael Bentt. A first-round straight right to the jaw of Tommy Morrison on an October night in Tulsa earned Bentt the cardboard crown of the World Boxing Organisation's heavyweight title. Bentt was born in the south London suburb of Dulwich before moving to Jamaica aged six.

With Lewis being British-born and London-based, the tabloid sports pages will soon be shrieking for an all-British "unification fight". After not having heavyweight champion for a century, the land of the Marquess of Queensberry now has two.

The painstaking human embroidery of making the deals is down to Eliades. "A lot of boxing deals are never completed because the ego of the individual gets in the way. They are unqualified megalomaniacs," he said, with the disarming frankness which has made him a breath of fresh air in boxing.

"There are disc jockeys acting as boxing promoters. I work on a handshake. People in the fight game say I'm mad. In boxing you can't even rely on a contract, let alone a handshake."

How, then, did such an innocent abroad find himself in such a position? As Eliades himself agrees, one has more chance of being struck by lightning than of "owning" a British world heavyweight champion.

Lewis was brought to Britain from his then home in Canada under an arrangement and contract instigated by financier Roger Levitt, recently convicted of a multi-million pound City fraud. Eliades was a neighbour and business acquaintance of Levitt.

"Levitt is one of the greatest salesmen you could find. Sand to the Arabs. I knew nothing about boxing, I'd never been to a fight. I wouldn't recommend it as a business venture to any client of mine and I didn't want to buy the contract. But I did, as a favour to Roger, who desperately needed out."

Eliades calculated his initial exposure at £200,000. By the time Lewis fought Razor Ruddock at Earls Court a year ago, the sum had swelled to £1.6m. "I'll never forget it when Lennox knocked him out in the second round, I knew we were on the road to financial recovery," he said.

"Being a liquidator/receiver, my job is to be pessimistic, not optimistic. I'm pleased to recover my outlay. Profit doesn't usually come into it. With hindsight it's been a fantastic investment but somebody up there must like me to let it turn out like this."

The boxer and the accountant make an unlikely pair, not least because Lewis is a foot taller than the diminutive Eliades. But it seems to work.

"We he steps out of line, he gets a slapping," confides Eliades, tongue in cheek. "Being world heavyweight champion sometimes he wants things done yesterday, but he's only a normal human being as far as I'm concerned.

"All this yes-champ, no-champ is the end. It did for Tyson and a lot of others in the past. When you earn $10m in one night its easy to start drifting away from reality."

One project the pair are committed to is a commercially-funded and run London school for inner-city teenagers who have been in trouble with police and other authorities. Team Solo will have pupils' fees paid by local authorities. Lewis hopes to spend around a day a week at the Hackney premises, which open next spring.

"We hope to make money from it but that's far from the only reason," said Eliades. "Most of these kids in trouble are black and many lack any kind of role model. Lennox hopes to provide that."

If he makes it past Holyfield next spring, Lennox Lewis will be in many ways a unique world heavyweight champion. British, preferring chess to night clubs, takes his Mum to training camp with him, and a manager whose cheques arrive on time. Boxing will never be the same again.

Golf/**Patricia Davies**

Overwhelmed in Japan

Numbers. Sheer weight of numbers. That is what sets Japanese golf tournaments apart from their equivalents elsewhere.

US events have their volume of volunteers, British events have their army of marshals, Continental events have their posse of posers but Japanese events have all these in abundance and then some. Rakers, sweepers, divot replacers, scoring operatives, crowd chivviers, player protectors – in Japan there are hordes of each and the resultant swarming effect is unique.

And there is, of course, the yen. That comes in very large numbers, even in these straitened times. For example, Barry Lane, a personable Englishman who played in the Visa Masters and the Dunlop Phoenix tournaments recently, tied for third place one week and second the next, winning more than Y16.5m (£104,000) and found himself 66th on the Japanese money list.

If Lane had won the Dunlop, as Ernie Els, of South Africa, did, he would have zoomed to 29th place by virtue of a cheque of Y36m, or £225,000, which would have been good enough for a place in the top 20 of the final the Volvo European order of merit or $337,000, which would have brought 45th on the end-of-season US money list. On the course, everything was immaculate and recognisable but different. Every hole has two greens, one of bent grass and one of tifton, for use at different times of the growing season. Every time a divot is taken, a woman in a uniform that includes a straw hat swathed in an enormous white scarf scurries from the sidelines to fill it in. Another of her like will rake the bunkers after the players or, at some courses, sweep the sand with an old-fashioned broomstick, crouching below the rim of the bunker for fear of disturbing the golfers.

The local caddies are all women. They sport caps with a duck bill a platypus would kill for and scuttle along pulling a trolley, always keeping up, always on hand to soothe their charges.

Just as the caddies are unique, so are the crowds. They are appreciative of the foreign players, especially the big hitters, but only become really animated when it looks as though a Japanese might win. Jumbo Ozaki is their hero and he milks each occasion for all it is worth, with theatrical gestures and reactions that are quite the opposite of inscrutable.

Jumbo is eminently quotable and is always likely to attribute some misfortune, such as a double bogey, to an evil spirit lurking at the hole where the offence occurred. He is also big business and seems to clothe half the spectators at a big event. Jackets are quite a feature at Japanese tournaments and Ozaki's slogan, written like most of them in English, ranks with the best. "Jumbo aims at professional activity with never-ending spirit," it reads.

Football/**Peter Berlin**

In the image of the boss

One of the oddest aspects of this season's English Premier League has been the tingling sense of déjà vu created by two of the division's more entertaining teams Newcastle United and Tottenham Hotspur.

In recent weeks, as Newcastle swept Liverpool aside 3-0 and lost 2-1 at Arsenal, the former Liverpool players who throng English television's commentary boxes have been eagerly bestowing their ultimate compliment: comparing the team Kevin Keegan has built to the Liverpool side he and they played in.

Those who have seen the old Liverpool and the new Newcastle in training say Keegan has duplicated the methods of Bill Shankly and Bob Paisley, his managers at Anfield.

But Newcastle differ from the great Liverpool sides of the 1970s and 1980s. In particular they lack the physical presence of those teams. Keegan has assembled a side of quick-witted, hard-working nimble players. Newcastle are not modelled on Liverpool, but on Keegan himself.

Keegan is not alone in producing a team in his own image. Osvaldo Ardiles returned to Tottenham Hotspur as manager this year to take over a team already built around the playmaking of Vinnie Samways, a man who learnt his craft while Ardiles was still a Spurs player. At times on Wednesday night when Spurs ambushed Blackburn Rovers in the Coca Cola Cup, Samways looked alarmingly like a lesser Ardiles, short, dark, arms bowed, skipping past tacklers with short choppy strides, clipping neat little passes.

But Ardiles has not been content with one little general. He has found a place for young Darren Caskey and completed a petite midfield trio by buying Mickey Hazard, another Spurs protégé of his. The Tottenham midfield can provide the disconcerting illusion of a swarm of Ardiles imitators buzzing about their business.

Yet playing style is an unreliable predictor of management style. Many great players are simply bad managers. Others find it difficult to recreate their style with lesser players. Glenn Hoddle's attempt to build an elegant passing team in his own image with the squad of clodhoppers he inherited at Chelsea borders on the dogmatic. So far the team has dived into the relegation zone while Hoddle's stock has risen. His dedication to "pure" football has made him a popular candidate for the position of England manager.

There also the managers who confound expectations. As a player Don Revie redefined the role of the English centre-forward, lying deep and creating, rather than scoring, goals. The Leeds team he managed could play creative football but regarded it as a last resort once more abrasive methods had failed. Brian Clough was the archetypal English bulldozer centre-forward and yet his teams were built on guile and ground passing.

Nobody epitomises this paradox better than George Graham. In his playing days, Graham was nicknamed "stroller". He brought a touch of elegance to Arsenal's much-criticised double-winning team of 1971.

No-one would dare stroll while playing for Graham. Graham values work rate and collects centre-halves. The result is two league championships and three cups and a team that, while it contains little of Graham's personality as a player, is as true to the traditions of his club as Ardiles is at Tottenham, Gerry Francis at Queen's Park Rangers and Billy Bonds at West Ham.

The only current manager who can surpass Graham's success, Kenny Dalglish, remains an enigma. His detractors argue that he was lucky to start his management career by inheriting the best side in Europe and that he kept the team at the peak for six years simply by waving a Liverpool shirt and Liverpool's cheque book at the players he wanted.

And yet, as his successors have found, life is not quite so simple. Dalglish bought John Barnes and Peter Beardsley and few Paul Stewarts or Istvan Kozmas. He has continued to buy well at Blackburn.

At White Hart Lane on Wednesday the team he has built looked, as it always does, like another collection of enthusiastic Premier League trundlers. The secret to Dalglish's thinking lies in his cheque stubs. When he started to spend Jack Walker's money he bought enough £1m attackers to make two-and-a-half forward lines at most clubs, and only then did he start spending comparable sums on other, defensive, positions. The message is clear: the creative responsibility falls on the attackers. This is, then, a team built in the manager's image.

Dalglish is not alone in feeling comfortable spending money. Graeme Souness, of Liverpool, and Trevor Francis, at Sheffield Wednesday, were among the first generation of British chequebook players, now they are chequebook managers. As players both enjoyed success as high-priced hired guns at Liverpool and Nottingham Forest, before capping careers dotted with costly transfers in Italy. For both, the first instinct when faced with a problem seems to be: buy an established international. It is a reliable way to build a good team but makes it difficult to create the distinctive personality of a great one.

Managers who were mediocre players are not prisoners of their past. Howard Wilkinson's was a winger whose playing career peaked with 22 first division games. As a manager he took cash-strapped Wednesday from the third to the first division with simple assault course football. At Leeds he built a championship team around the delicate midfield play of Gordon Strachan and Gary McAllister. Wilkinson can simply manage according to his resources.

GARDENING / PERSPECTIVES

Boxing: a noble art that costs the earth

***Robin Lane Fox** braves chill winds in pursuit of green formality among the designer vegetables. His bank manager is interested, too*

I have just had a personal boxing day and it has not exactly been cheap. In the cold winds, I have been planting rivers of green box bushes, which are intended to curl round each other and look suitably smart.

You all know those handsome pictures in which evergreen hedges make patterns among the designer vegetables and owners can spell out their initials in monograms of green leaves. I have yet to choose my monogram, but I think that we forget what they cost. Box prices now start at £150 a 100, and the plants for a low hedge are supposed to go in at intervals of six inches or less.

The rectangular outline to a moderate bed will cost £200 unless, like me, you economise on the spacing and exercise your patience. Remember the price tag when next you see a television long shot of somebody's box-edged potager inside an old brick wall.

In the 1960s, big gardens were throwing old box away by the yard: people believed it harboured snails and bindweed and required too many hours from full-time gardeners. As a result, artful growers acquired some spectacular assets. They realised that box will recover even if it is old and looking lanky.

Old box is supremely willing to regenerate. Indeed, like donkeys, box trees never seem to die unless dogs cock their legs continually against them. If anyone offers you a leggy box hedge, capitalise on their ignorance and take it before they read this column.

At today's prices, what would be the value of all the box at Italy's Villa Lante or France's Villandry, historic gardens which sit on unrepeatable assets? Since the 1960s, we have all forgotten the snails and bindweed and have been hurrying to bring box back.

For some while, Roy Strong, former supremo of the Victoria & Albert Museum who runs his own considerable country garden, has been championing the movement away from flowers and back to axial green formality; a ground note, too, for distinguished designers like David Hicks. I like flowers, because I can grow them – but I also like green frames which look wonderfully neat and obedient soon after planting.

If the cost is too much, what can you do? You have two options, unless you have good friends. One is to take cuttings from the young shoots of someone's box plants early in summer; set them in sandy trenches in semi-shade; keep them watered; and transplant them to good soil during the following year.

After another three years, you will have good bushes for a new hedge and, although the delay is a nuisance, I do promise that box cuttings will root with remarkable ease.

If you are planning a big box venture but find the prices in garden centres ruinous, you should investigate the specialist growers in Belgium or Holland who now raise most of the box which UK nurserymen import and then sell on to us at higher prices. Indeed, if you need a large quantity, take a ferry over to Belgium and do a deal with a specialist, who will supply you by the thousand.

Despite the horrible wind from the east, I have enjoyed planting well-rooted boxes of three and four years old. They look stylish from the start and allow you to weave knots, spell messages, or outline a scene in green mosaic. They are probably very healthy. Box, says my handbook of 1620, is very good for the flux, or French disease. In those days, it meant more than high interest rates in Paris.

Over the years, I have learned a few box tricks which are not always explained. My favourite use of box is as a green skirt or pedestal for a statue or urn, raised on a hidden plinth of concrete blocks. The green box skirt hides the cheap plinth and heightens the impact of the ornament: the trick stares at you from the best historic gardens in Italy. When the box has covered the plinth, you clip it flat: big pots can emerge from a high skirt, which is clipped into two levels, like a green step.

You should use the bigger box, *Buxus sempervirens*, for these skirts and allow five years for it to mature. You will need more plants than you expect – but they add value to a flower pot, which can be cheaper in such a bold setting.

The correct edging for vegetables and low knots is *Buxus suffruticosa*. Be warned that its roots will run sideways among flowers and vegetables and should be cut back yearly with a sharp spade or edger to prevent them from exhausting the adjoining soil. You should clip the leaves late in spring or summer rather than late autumn when they look most in need of trimming. Late cutting can cause brown patches, which are exacerbated by snow and wet in hard winters.

The garden at Villandry in France . . . at today's prices, what would be the value of all the box?

Dušan Ogrin / The World Heritage of Gardens

Old books from the 16th and 17th centuries are still the best source of knot patterns in which box bushes are twisted into the outlines of a tapestry. Rosemary Verey is an experienced box planter who also supplied me with my bushes: her new book, *Garden Plans* (Frances Lincoln, £18.99), shows the patterns which she adapted from an old design for the courtyard of Orchard House, the garden of which opens to the public in the scenic Cotswolds village of Broadway. I am sure that she would agree on my cardinal point: before you pirate an old plan for a knot, be sure that you have allowed enough room on the ground.

The besetting sin of most modern imitations is that they cram an intricate design into too small a space. They confuse the eye and are not easy to plant; the box develops into a fussy confusion. It is much better to simplify and suit the complexity to the space available.

Verey recommends designs from various Jacobean sources, from Gervase Markham in 1616 or the books of a gardening clergyman, William Lawson, which were published in 1617 and 1618. I have also been helped by the geometric drawings in John Parkinson's *Paradisus*, published in 1629. These old books have mostly been reprinted later and are more readily available from libraries.

I do, however, have a final thought for a small courtyard. In the 1960s, designer Russell Page published a self-assured book, *The Education of A Gardener*, which has a beguiling picture of the Gothic window of a Berkshire cottage, opening out onto beds criss-crossed with frames of green box in the courtyard below.

The pattern here picks up a pattern in the window frames, but why not echo them exactly in a frame of green box on a terrace outside the house? Any shape can be framed in a surrounding rectangle, and the result would tie the house and garden together with a pretty style for a small space without grass.

Nowadays, philistines try to force those awful plastic replacement windows on the planners by arguing that they are "friendly to the Amazon rain forests." Outflank them by planting a green window horizontally on the surface of the garden, made from a truly green material with a style that will outlive us all.

After 45 years, the band still plays on

***Kieran Cooke** in Penang hears echoes from another era*

Recall, or imagine, 1948. The year of the Berlin airlift. Mao Zedong was sweeping through China. There was a great fog in Britain. A notice was pinned to the railings of Buckingham Palace announcing the birth of Prince Charles. And Albert Yeoh joined a band.

Albert has been tickling the ivories at the venerable old Eastern and Oriental Hotel in Penang, Malaysia, ever since. Only a very rare night off. Never missed a Christmas or New Year. Albert and his band are probably the most enduring musical group east of Suez.

Albert is now a slim and trim 65-year-old, without a grey hair on his head. "We pride ourselves on our repertoire. We can play virtually every tune there is," he says. "The girls can sing in various languages – from Finnish to Korean, Polish to Malay."

The "girls" are Albert's wife, Nancy, and her old school friend, Daisy Chua. They have been with the band at the Eastern and Oriental – known as "the E&O" to generations of Asia travellers – for more than 20 years. In their sequined dresses, they look like a million dollars.

Albert Yeoh and his 'girls' . . . the most enduring musical group east of Suez

They harmonise their way through *My Wild Irish Rose* and follow it with *When Irish Eyes are Smiling*. Nancy and Daisy would have the hands clapping and the tears flowing in many a lounge bar back home.

A group of Japanese businessmen asks for some obscure favourite from Hokkaido. No problem. Nancy whispers her way faultlessly through the song. Then, with infinite grace, she persuades two of the Japanese on to the stage. They croon, rather unsteadily, with her. The audience – some diners and a larger crowd of well-behaved drinkers – love it.

Listen carefully and you can still hear the echoes of another age at the E&O. Rubber planters in town for a bit of light relief, laughing uproariously at jokes, slapping sun-tanned thighs and becoming a trifle squiffy. Colonial officers with their sternly-brushed hair and crumpled white suits, their canes tapping along the tiled floor.

The front of the hotel faces Georgetown, old Penang town. The back looks on to the Straits of Malacca and the Andaman Sea. When the E&O opened in the 1880s, it boasted the longest sea front of any hotel in the world – 842ft of it. Kipling, Maugham and Coward, sensible travellers that they were, all "put up" at the E&O at one time or another.

"We used to play all night in the old days," says Albert. "There would be St George's night, St Patrick's – all of them. We'd play the Dashing White Sergeant, reels and jigs. And people were always dressed in their best. Back then, the E&O was the only place to be."

It is not much different at Christmas and New Year these days. While there are few sartorial rules, people still turn up in their dickie bows and feather boas. The doors of the old ballroom are flung open and the overhead fans whirr into action. "Now, the other hotels in Penang bring in big artists from overseas," says Nancy. "But we have our faithful audience who like our music and style."

Nancy and Daisy glide effortlessly through a medley which ranges from the swaying palms of Harry Belafonte to Maurice Chevalier's little girls and little boys and ends bobbing in a rickshaw through the World of Suzie Wong.

The Sarkies brothers, Martin, Tigran and Arshak, built the E&O. Handsome devils, with moustaches that could gauge wind directions, they were Armenian Jews who travelled east in the middle of the last century. They built up a formidable hotel empire which included the Strand Palace in Rangoon, the Raffles in Singapore and the E&O.

The second world war, with Japanese troops filing through the three great hotels, dealt a fatal blow to the Sarkies although Arshak – who is remembered for dancing round with a glass of whisky soda balanced on his bald head at the 1924 St George's day ball – had by then fallen on hard times.

"Arshak Sarkies," says a *Who's Who* of the time, "has taken a keen interest in racing." Too keen, it seems. All the Sarkies' money was frittered away on the horses.

Nowadays, the Strand Palace is looking very down at heel. At the other extreme, the Raffles has been turned into an expensive modern parody of its original self. Only the E&O evokes the original Sarkies' spirit, fustiness and all.

Albert, Nancy and Daisy are having a little break and chatting with the audience. All seem to be old friends. Brother Augustus, a blind half-Portuguese, half-Chinese priest, comes in.

The circle is widened. "Now Brother Augustus," says Nancy "You must give us a song."

Brother Augustus obliges. Albert tickles his piano. Nancy and Daisy lead the applause.

The atmosphere is as fresh as it was when Albert played his first night at the E&O, more than over 45 years ago.

As They Say in Europe

Mistaken identity

Now to get back to a subject I would have tackled in the past couple of weeks except for other matters intervening. I shall not allow the week's dreary round of comment on the British Budget to deflect me.

Last month saw the 75th anniversary of almost everything, including the foundation of the Austrian republic. Never has this November date seemed so relevant to current events, at least never so much to the Austrian press.

The significance of the collapse of the empire was summarised in the biggest-selling tabloid, *Kurier*. It noted that the monarchy's multi-racial army occupied huge tracts of foreign soil by late-1918 and, "in a typical piece of Austrian nonsense," surrendered in Padua to an Italian army it had already beaten soundly.

We are still dealing with the consequences of the subsequent collapse: Czechs and Slovaks pushed into a common state; millions of Hungarians left as minorities and as potential problems for Romania, Serbia and Slovakia; and Slovenes and Croats locked into a south Slav state where the Serbs played the role of victor.

In Bosnia, there began a wave of persecution of those Moslems and Croats who had been loyal to the monarchy. Austria lost South Tyrol and became "the state nobody wanted"; all the natives *did* want was union with Germany, so the Nazis entered the country 20 years later under the pretext of "expressing the true will of Austrians."

Kurier concluded that the end of the empire was the "beginning of an endless tragedy of ethnic and national conflicts in central Europe."

Die Presse adopted a complementary theme: in a modern Europe free of trade restrictions, with open frontiers and possessed of a single currency, there was only one historical precedent that mattered. The Habsburgs had provided all this for a large part of the continent until 1918.

In the *Salzburger Nachrichten*, we read that the real anniversary was that of 1,000 years of Austria, which falls in 1996 – the year it plans to enter the European Union. That, said a contributor to the paper, meant the country would sacrifice a "thousand million schillings" and 1,000 years of history while receiving Ecus in exchange.

So, if Austria was at the centre of the storm which generated all the European disasters of this century, it also provides the metaphor for a full European union, for which it will sacrifice itself yet again.

The Dual Monarchy should indeed influence those in Brussels who are creating a more boring Europe. The Austro-Hungarian model can add a dash of colour and satisfy Euro-sceptics of different hues.

'The end of the empire was the start of an endless tragedy'

If Jacques Delors were to become, say, the Count of Brabant, he would appear an even more attractive figure to the diverse populations of the Union. (The title might carry with it the captaincy-general of the Belgian football team).

Articles in *Hello*, and long-distance shots in the seedier London tabloids of his wife on distant island beaches, would elevate this somewhat forbidding figure to celebrity status.

He would be assisted by various new commissioners – the Duke of Connaught would be the hereditary Commissioner for Peasants and Gentry, and the Duke of Burgundy would make a fine food and drink supremo. A resurrected Elector-Palatine would be president of the European Parliament, members of which he would select personally.

By its very nature, the system would ensure the realisation of certain socialist aspirations – a "Europe of regions" would be an inevitable result. Work sharing and jobs for life are at the core of the concept.

The post of head of state would pose some problems, though. Many would think twice about a European emperor based in Vienna; but turning Otto von Habsburg into a Carolingian figurehead enthroned in an already existing European institutional capital, Strasbourg, would provide a decorative addition to the scene. The Queen of England, as the first among equals of European royalty, would supply the balance in the other half of a Dual Monarchy.

And, finally, we should have a solution for the German problem. The country's unification has not proved beneficial – it never has – so the answer is to split it up again.

The old German Democratic Republic could re-emerge in slightly different form as Prussia; Bavaria could gain what it always wanted – independence of a sort; and Hamburg would concentrate on making money around the Baltic and up and down the Elbe. Any number of daft and varied constitutions could be provided to ensure that subsidiarity flourished.

To conclude with what might be an apocryphal tale, but one which has the ring of truth: in 1920, a German weekly, presumably *Simplicissimus*, ran a competition for the most startling headline of all time. The winner was: "Archduke Franz Ferdinand Alive: Great War a Mistake."

The time has come to rectify that mistake.

James Morgan

■ *James Morgan is economics correspondent of the BBC World Service.*

هكذا من الاصل

PERSPECTIVES

Pravda faces harsh truths of survival

Can Russia's newspaper adapt? John Lloyd in Moscow reports

On the front page of a recent copy of *Pravda* was a photograph of Andrei Sakharov, the late Russian dissident. Beside it a headline read: "The Second End of Sakharov".

Instead of the cynical piece expected, it regretted his passing, and said his conscience was never more needed to bring to account the present powers in the Kremlin.

Viktor Linnik, the new editor of *Pravda*, is not embarrassed by these new affiliations: on the contrary, he affirms them. Asked in what tradition of socialism he now stands, he eschews communism in favour of "the tradition of Sakharov – of conscience and diversity".

Here is a turn-up for the history books, and one which is hard to puzzle through: does it mean that Russia's communists now see themselves as a force for freedom of conscience, as inheritors of the mantle of the man they denounced, mocked and hounded into exile? Or is it a mere tactic in the long war which has recently gone badly for Marxism Leninism, but which may yet look up once more?

Linnik's promotion to the occupancy of the vast office of a chief editor of *Pravda* gives some clue. *Pravda* was closed immediately after the armed uprising by the parliamentary forces (it had been a strong supporter of the parliament). It re-opened after partly fulfilling a list of government demands.

There were demands for a change of chief editor and that the paper change its name. However, internal debate was raging when *Pravda* was closed.

Gennady Seleznev, chief editor for the previous two years, was losing out against both Ilyin, one of the deputy editors, and Linnik.

Seleznev was seen as too hard line and insufficiently interested in reshaping the paper to cope with an increasingly difficult market.A staff meeting had been called at which the issue of re-election of the editor was to be discussed.

But then the closure caused the staff to rally behind Seleznev. So when Ilyin was named as his successor and began talks with the government, he lost much internal support.

A staff meeting, faced with a choice between Seleznev, Ilyin and Linnik, narrowed it down to the last two and then chose Linnik – the centrist of the three candidates.

He is thus neither a liberal nor a hard-liner. In working out *Pravda's* new line, he will be guided, he says, by a view of the paper as "above all an information medium, not strongly tied to any party".

He describes himself as "a socialist, even a social democrat": his four years in New York put an American twang on his flawless English, and enabled him to make contact with some influential contacts.

His largest critique of the government is that "it is the real inheritor of communism: it is the one which uses Bolshevik methods". He instances the suppression of some of the opposition press, the bias of TV and radio, the discrimination against far left and right parties. "This will be our central cause from now on," he says.

Will *Pravda* survive? It is supported by a Greek millionaire with Communist roots and, paradoxically, it also receives a subsidy from the state which banned it.

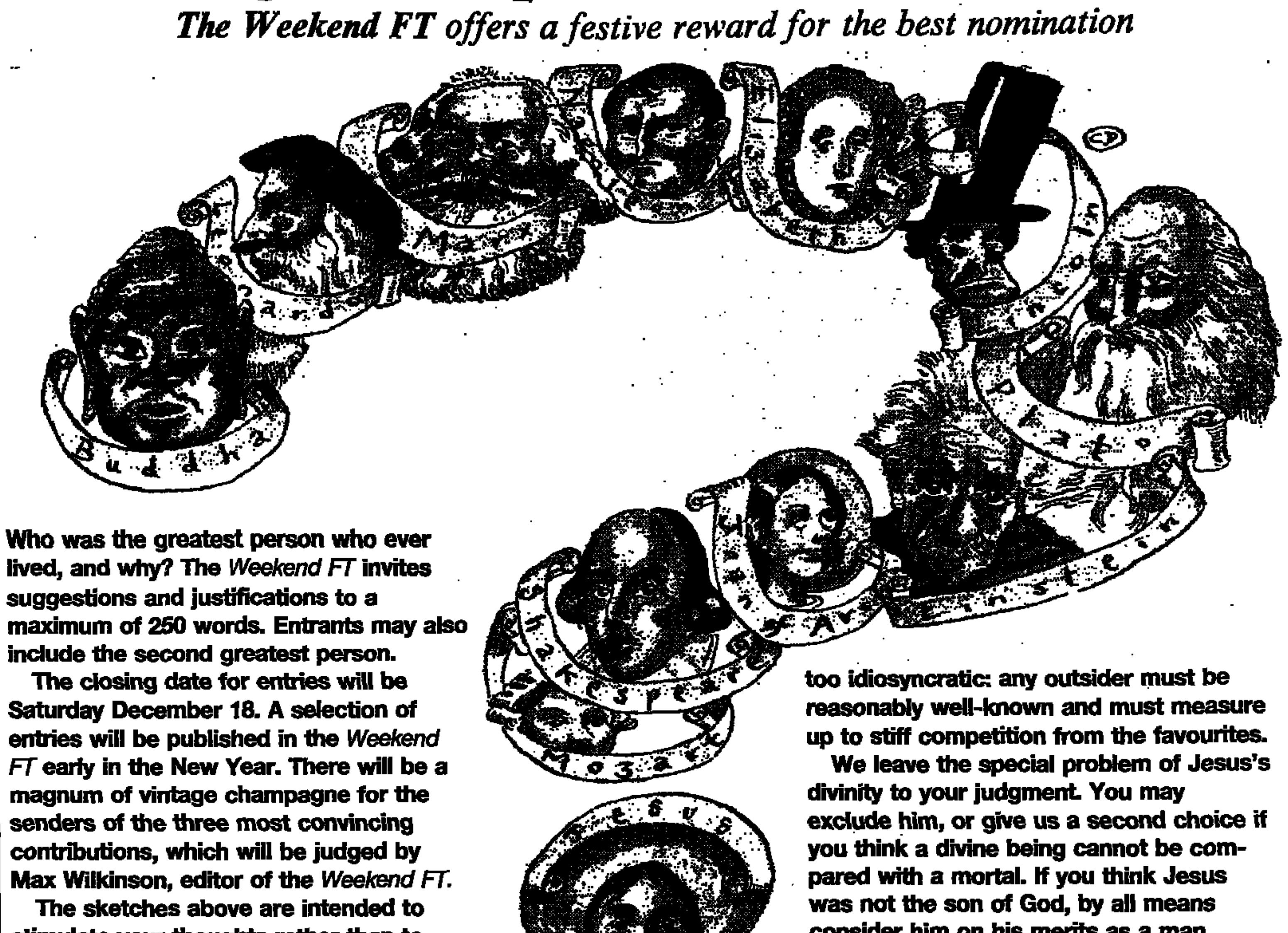
Costs of producing the paper are huge, largely because it continues to attempt to be a paper of the Soviet Union, with 22 printing plants throughout Russia and the former Soviet states.

"We should get state support: we are an institution, like us or not," says the new chief editor. And here lies the clue to Linnik's orientation – it is to the state and to the nation, rather than to an ideology.

His refurbishment of Sakharov is in order to bring the paper back within the fold of the state and its present leaders – even if he continues to oppose them.

The greatest person who ever lived

The Weekend FT offers a festive reward for the best nomination



Who was the greatest person who ever lived, and why? The *Weekend FT* invites suggestions and justifications to a maximum of 250 words. Entrants may also include the second greatest person.

The closing date for entries will be Saturday December 18. A selection of entries will be published in the *Weekend FT* early in the New Year. There will be a magnum of vintage champagne for the senders of the three most convincing contributions, which will be judged by Max Wilkinson, editor of the *Weekend FT*.

The sketches above are intended to stimulate your thoughts rather than to represent a shortlist. We hope you may think of candidates outside the obvious list. But remember, the winner cannot be too idiosyncratic: any outsider must be reasonably well-known and must measure up to stiff competition from the favourites.

We leave the special problem of Jesus's divinity to your judgment. You may exclude him, or give us a second choice if you think a divine being cannot be compared with a mortal. If you think Jesus was not the son of God, by all means consider him on his merits as a man.

Entries should be sent to: The Competitions Editor, Weekend FT, No 1 Southwark Bridge, London SE1 9HL.

Tales of Endeavour and imagination

Recreating Captain Cook's ship has tested the ingenuity of historians and craftsmen. ***Keith Wheatley*** *meets the team*

CAPTAIN COOK'S bark *HMS Endeavour* had, like other ships of the period, a veritable conservatory across her stern. Cook, botanist Joseph Banks, and the other scientists of the 18th century's greatest expedition wanted maximum light in the great cabin.

Recreating these windows became a test of will for a team of craftsmen and historians constructing a replica of the *Endeavour*.

"We initially put modern glass into the frames but it looked horrible. Much too clear," explained Antonia Macarthur, a British-based naval researcher who has had the responsibility of recreating the ship's interiors. "Eventually we tracked down a long-established London firm who could make 18th century glass, full of bubbles and imperfections."

But the quest for authenticity went far deeper than the glass in the windows. When the wreck of the *Pandora*, another 18th century vessel, was found and excavated off the coast of Queensland, divers discovered a sash weight from her great cabin. This has been used as a pattern by blacksmiths creating items for the *Endeavour* replica.

"No visitor to the ship will ever see those weights but to me, and everyone working on *Endeavour*, they signify the attention to detail that makes this replica so special," said Macarthur.

On December 9, the 500-tonne *Endeavour* goes down the slipway in Fremantle, Western Australia. Her building has taken twice as long as Cook's 1768-71 voyage which placed Australia and New Zealand firmly within the known world.

Much of the time has been spent raising the £6.8m needed to fund the project. Of that, £500,000 came in a single donation from Garry Weston, chairman of Associated British Foods.

But the requirements of historical accuracy have their own imperative. "This will become the benchmark for the recreation of historical ships. This is a crucial vessel as she really was, not Hollywood's millionth rebuild of the Bounty. Everyone is bored stiff with that," said Fred Walker, until recently chief naval architect at the National Maritime Museum, Greenwich, and responsible for hull and lines of *Endeavour*.

Captain Cook: 'would recognise her straight away'

"Captain Cook would recognise her straight away if there were to be a miraculous reincarnation," added Walker.

Since the original *Endeavour* was a 500-ton collier, built as a workhorse to trade between the Yorkshire coalfields and London, no building plans exist. However, once she was commissioned into the Royal Navy a full set of measurements was taken at the dockyard and these still exist at the National Maritime Museum

The only significant departure from the original construction is in the use of the native Australian wood jarrah for the hull. Jarrah is so hard that during the 19th century many London streets were paved with it. *Endeavour* was built of oak.

Even if oak of the necessary massive sections were still available its cost would be astronomical. Fred Walker has recently provided budget estimates for a project similar to the *Endeavour* in Europe and gauges the cost of the timber alone at between £1m and £1.5m. Other details are painstakingly real.

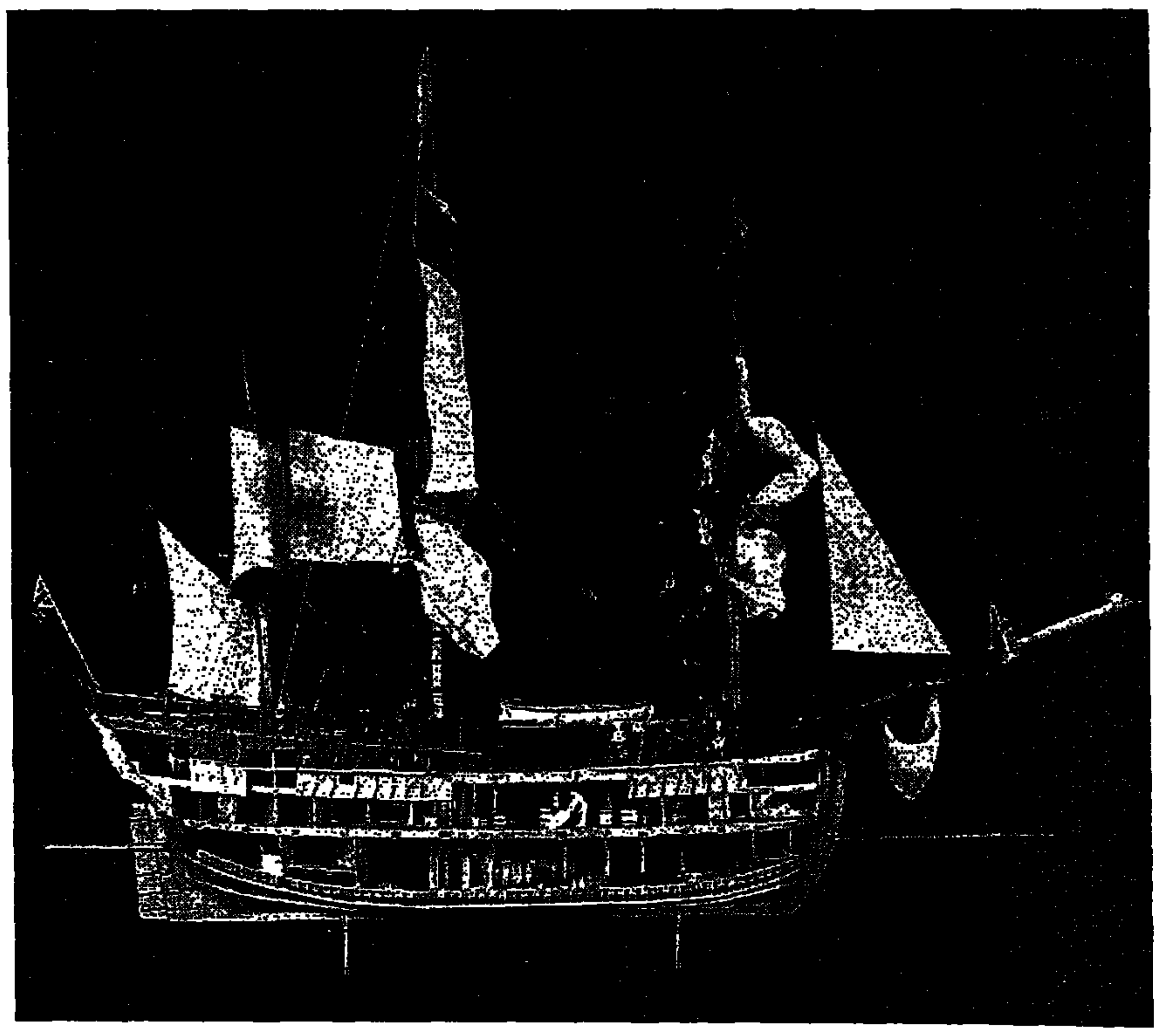
"Hull timbers are fastened with wooden trenails. I've worked in shipyards and shipbuilding all my life but I'd never seen one driven until I came to the *Endeavour* project," enthused Walker.

There are other concessions to life at the close of the millennium. Twin diesel engines, a cabin equipped with modern satellite navigation equipment, and full 20th century life-saving equipment were essential if the *Endeavour* was to be insured and go to sea – as is the intention of her trustees.

Once her masts have been stepped and sea trials completed off Western Australia, the little ship will sail to Sydney in the spring of next year, calling en route at major ports such as Adelaide and Melbourne.

"If you're not to be lumbered with an unusable hull you've got to be able to jump through the same international hoops as any other sail-training vessel," explained Walker.

Endeavour will be under the command of Captain Christopher Blake, a British skipper with a special Square Rig endorsement to his master's ticket. Blake is currently Master of Japan's first sail training vessel, the *Kaisei*.



A model of the Endeavour: in building the team's full-size version, the quest for authenticity went deep

Pictures: National Maritime Museum

Although the *Endeavour's* permanent home is to be the Darling Harbour complex in Sydney, Europe's first glimpse of her outside the TV screen is likely to be the following year when she will sail to Britain, re-tracing Cook's homeward voyage.

Before then, Macarthur must fill the interior with fabrics and furniture that Cook and his companions would have lived with. The Bond Street company of Harvey & Sons is building and donating a 12ft long oak table for the great cabin.

Joseph Banks took a bureau with him. Macarthur is working from records of the kind of furniture he chose for later homes, to extrapolate and decide what he might have taken on the expedition to the Antipodes.

"Banks writes about sleeping in a swinging cot. But how do you construct one? There are two paintings and a sketch extant but they are hardly drawings for a joiner. I think we'll have to build a few and try them out," she laughed, clearly relishing a historical challenge that is far from dry.

"I'm convinced Mrs Cook would have given him something to take with him, possibly a piece of embroidery for the cabin bulkhead," said Macarthur, with her own special contribution to the ship firmly in mind. "My fellow historians will say it is fantasy but you have to use your imagination in something like this."

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HOW TO SPEND IT

Lucia van der Post finds fabric and foliage are fashionable accessories when it comes to decoration

Flowers for the festive season

If you had asked either of my grannies they would have been quite astonished at the *notion that flowers could be* in and out of favour. The very idea that the chrysanthemum, the iris or the carnation (let alone, shudder, shudder, the poor old spray carnation) would be given such a heave-ho by the chicken-wire and "oasis" set would have been enough to confirm them in their vision of a world gone mad.

But I am sure that those of you who are even now planning the decorations for the festive season at *chateau mon repos* would like to know that the marigold (once a real no-no) is back in favour.

How do I know?

Well, Caroline Dickenson ("one of London's most innovative florists") *tells me so and she ought to know.*

Caroline has recently turned the ballroom and other banqueting areas at the Dorchester Hotel into a veritable scene from Arabian Nights and, using 12ft-tall candelabras decked with cream roses (not one to emulate *chez vous* – a trifle ambitious perhaps for the domestic setting) transformed a London site into a set from the film Orlando.

In addition, she regularly does the flowers for chic eateries such as Le Gavroche and Mosimann's as well as Christian Lacroix, Cartier and Yves St Laurent.

This Christmas, says Caroline, it is artificial decorations that are the no-no: "The trend is towards mixing berries and natural evergreen foliages such as trailing ivy, blue spruce and larch twigs with seasonal flowers combined with fruits, nuts and vegetables.

"If you are aiming for a traditional look, use strong colours such as rich dark reds, bright oranges and purples with various shades of dark green.

"Fabric is very much in evidence,

Glazed terracotta candlestick (£175) by Laurence Simon from an exhibition at Sue Williams, 320 Portobello Road, London W10 5RU. Prices start at £12.

too – ranging from bows made from silk organza to lengths of crushed velvet swathed through and round decorations. To add some glitz use gilded fruits such as pomegranates, apples and oranges and nuts. Adding spices and herbs such as cinnamon sticks, anise and bay to an arrangement will fill the room with a subtle yet exotic scent."

Indeed, great florists obviously think alike – at this week's grand Royal Opera House dinner at the Whitehall Palace, one of London's most sought-after creators of magical effects, Paul Dyson, had used a very similar decorative approach.

He had featured lots of brilliant strong colours in the flowers – reds, oranges, ambers – and the staircase was richly swathed with flowers, foliage and generous swags of ruby red velvet.

"Candles," says Caroline, "shed a soft glimmering light but if you are trying to create a rich, warm effect use dark red, green and purple coloured candles instead of white.

"To create a strong effect group decorations together rather than scattering them around separately. There should be continuity in the theme. For instance, if you are using blue pine you can use it in all sorts of different ways – from decorating a fireplace and a staircase to forming the base for a wall hanging or door wreath."

The scheme photographed here at Mosimann features many of her precepts – deep rich colours, strong groupings, fabric and, above, all a sense of generosity. Decorations should never be mean and sparsely scattered.

Fireplaces are often the focal point of a room and a decorated mantelpiece can set the warm and welcoming scene. Swagging made from blue spruce can be draped along the mantelpiece and down each side of the fireplace.

Bunches of red and orange full-blown roses and bunches of red anemones (for which 10 stems per bunch seems the approved number) can be tied on tightly with string or floristry wire. These will obviously only last for a few days so be prepared to change them and to put them in place as close to the last minute as you can bear.

Bunches of evergreen foliages, berries and larch twigs with lichen can be attached with floristry wire along the swagging to soften the look. A length of crushed velvet could also be swagged along the mantelpiece. Add bundles of cinnamon sticks, apples and tangerines – again attach with floristry wire.

When it comes to the table she suggests taking several different-sized terracotta pots. Line them with black bin liners to prevent water leaking. Then fill them with evergreen foliage, berries, anemones and roses echoing the colours used for decorating the mantelpiece.

A large terracotta pot in the centre and smaller ones around the table works well. (They might also make good presents to give guests to take home.)

The pots can be linked with swathes of crushed velvet (velvet, you will have gathered, is *the* fabric of the year) along the centre of the table or with trails of ivy leaves and foliage such as skimmia or variegated holly. Bunches of berries, foliage and flowers can also be attached to candelabras with floristry wire.

Many of these precepts apply to decorating the tree – above all, do not skimp, do not be mean. You should allow at least 10 lights for every foot of tree and try to make sure the wire and tape are the same colour as the tree.

Decorations can be made from bows of velvet ribbon or silk organza, with fir cones, bunches of lavender, tiny terracotta pots stuffed with paper and topped with glued-in nuts and the whole effect can be softened with added bunches of larch covered in lichen.

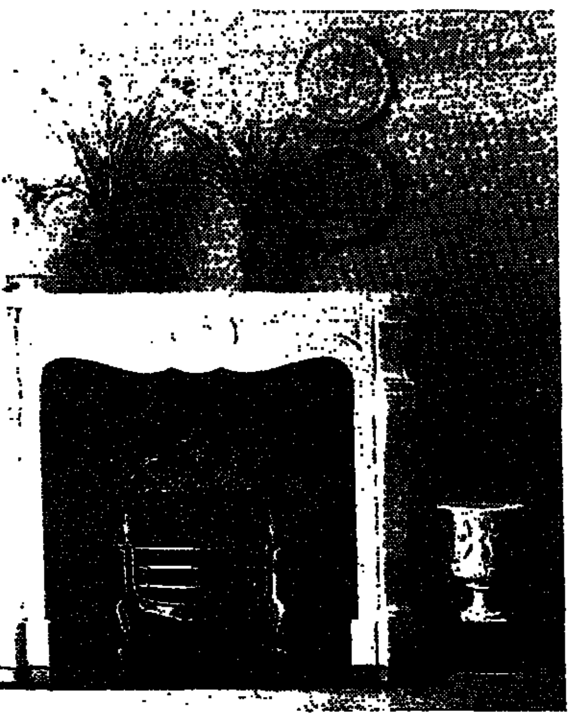
If you can handle all that little lot yourself you are a better person than I am – or better organised or less busy.

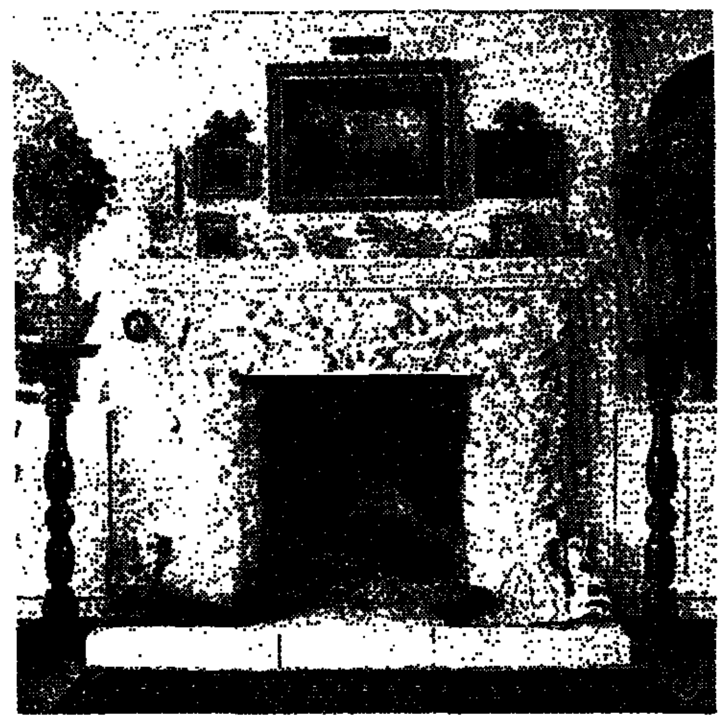
The ill-organised, the lazy or the genuinely over-worked can call in Caroline Dickenson herself: she can either supply the wherewithall (the blue spruce swagging, the door wreathes, the flowers, the floristry and chicken wire, the oasis and the gilded pomegranates, dried orange slices, peppers and chillies) which you can deploy skilfully around the house. Or she will come and do it all for you.

Her prices range from £10 for a simple arrangement to £5,000 for a grand hall but there is a lot more in between.

■ *Caroline Dickenson is at 5, William Street, Knightsbridge, London SW1X 9HL. Tel: 071-245-9599.*

Caroline Dickenson's decoration at Mosimann's: strong groupings and a sense of generosity





Fireplaces and Christmas are an almost indivisible image, symbolising the centre of the home. Those dreaming of a new fireplace might like to consider the options photographed here.

■ Far left: a reproduction period French fireplace. In fine white marble, it is £750 (an original antique would run into thousands of pounds) from The Antique Fireplace Warehouse, Buckingham Antiques, 194-196 Battersea Park Road, London SW11 4ND. Tel: 071-627-1410.

■ Centre: large fire surround and hearth, made from Pietra Laro limestone, £850 (other fire surrounds start at £350) from Stone Age, The Studio, 40 St John's Hill Grove, London SW11 2RG. Tel: 071-738-2554.

■ Left: ornate oakleaf surround, hand-carved in stone from the Farmington quarry. This is one of the most ornate, at about £5,000. Simpler versions start at just below £200. For brochures, contact Farmington Stone, Northleach, Cheltenham, Glos, Tel: 0451-860280.

South Africa's miracle

Continued from page I

National Party staged a high risk gamble for power, and lost. Speaking after the conference ended in disarray, de Klerk seemed oddly confident of his strength; but the events of the succeeding months *undermined his position.*

"The Nats peaked at Codesa," says a senior ANC negotiator. "At that point, the ANC had serious problems: its members were complaining about negotiations. (Ronnie) Kasrils still had dreams of insurrection, the regime was dizzy with international invitations, Inkatha was still intact as its negotiating ally, and the Nats had high hopes of forming a non racial party."

Everything went downhill *from there. International opin*ion turned against de Klerk after the June massacre at Boipatong, for which he was indirectly blamed; the ANC bolstered its confidence through mass action; and then in April this year, ANC leader Chris Hani was assassinated, permanently tilting the balance in the ANC's favour and allowing them to extract the crucial concession from government: agreement that elections would be held on April 27 next year. *That was a trap, from which* the government proved unable to escape.

"In the end, time made it impossible for them to hold out," says Joe Slovo, éminence grise of the ANC team. His November 1992 decision to persuade the ANC to offer a deal based on power-sharing was a *crucial step on the way to last* month's deal.

He argues that power sharing is necessary because: "All we will achieve when we have won the election is to gain political office. We would not gain state power in the sense of having a complete transformation on day one of the *police, the armed forces, the* judiciary and the civil service".

To ensure compliance from those constituencies, the ANC needs the National Party: so Slovo has assured Government negotiators, and so, crucially, Mandela has assured de Klerk. But power-sharing will be purely voluntary: "We won the battle for an executive which at the end of the day is based on majority decision making – something I thought we would not win. None of us thought, even a week (before), that we could win that," says Slovo.

"Power sharing? Madiba cracked him," says another senior ANC negotiator, referring to the 11th hour meeting between Madiba (Mandela's clan name) and de Klerk on the eve of the deal. ANC negotiators had let it be known that they would agree to a requirement that important issues be passed by a special majority of Cabinet (which would include other parties like the NP). But Mandela *offered no* such concession; power would be shared voluntarily, or not at all.

Mandela would seek consensus where possible; "but in the end, if we differ, we are not required to listen to them," another senior negotiator concludes. He disputes the defini*tion of power sharing offered* by a prominent Nationalist: "Whites will still have one hand on the tiller. There will be other hands and the white hand won't necessarily be the strongest, but it will be there." "How can that be?" asks the ANC man, who is too senior to be named without embarrassment, *"if it's not in the constitution?"*

"We must make ourselves indispensible – that is the recipr for the future," counters Meyer while Con Botha adds: "The failure of apartheid has shown us the folly of relying on laws alone to sustain yourself." "Once you've crossed the *Rubicon, you have to move for*ward fearlessly in another direction, even though it is into uncharted waters."

Another prominent Afrikaner completes the metaphor, and sums up the cautious optimism which is the true fruit of negotiations: "We're still between the devil and the deep blue sea. But at least we've got a raft to take us through the rapids."

Inspired by trees of life

Those seeking decorative inspiration should head to the Save the Children Fund's festival of trees which *can be seen, free, at the* headquarters of Coutts and Co., 440 The Strand, London WC2 until December 6.

Several distinguished creative talents have lent their skills free and each has decorated a tree in the spirit of Christmas. The range of designs has always been vast, *taking* in post-modernist teases as well as reworkings of traditional themes. Simpson of Piccadilly, for instance, has provided a rampantly romantic tree – all pine-cones and floppy bows on a proper fir, while Sarah Fabergé's version is hung with hand-painted eggs and crowned with an 18 carat gold and crystal egg pendant. For Coca-Cola, the sponsors, George Daniel created a futuristic tree – green perspex triangle converging on a stylised glove and hung with colourful crackers.

On the evening of December 6 the trees are auctioned at a gala dinner with proceeds going to the Fund.

■ The Richmond Fellowship Craft Fair, which many readers kindly support, is on this weekend, today and tomorrow at 8 Addison Road, London W14 in a splendid Edwardian house, built in 1906. It is a great chance to buy your presents and help a charity which provides care, rehabilitation, sheltered workschemes and support in the community for people with mental health or addiction problems. It is open from 11 am to 5 pm today and tomorrow, admission £2.50.

■ Finally, for those Christmas shopping for far-flung relations who do not mind the shopping as but hate the parcelling-up, it is worth knowing about Mail & Pack, which will gift-wrap, pack and send to any address within the UK or overseas. Prices start from £9.95 for the full service. Shoppers can either drop their parcels in themselves or organise for them to be collected from the shops. Mail & Pack is at No. 35, Savile Row, London W1, tel: 071-287-3301.

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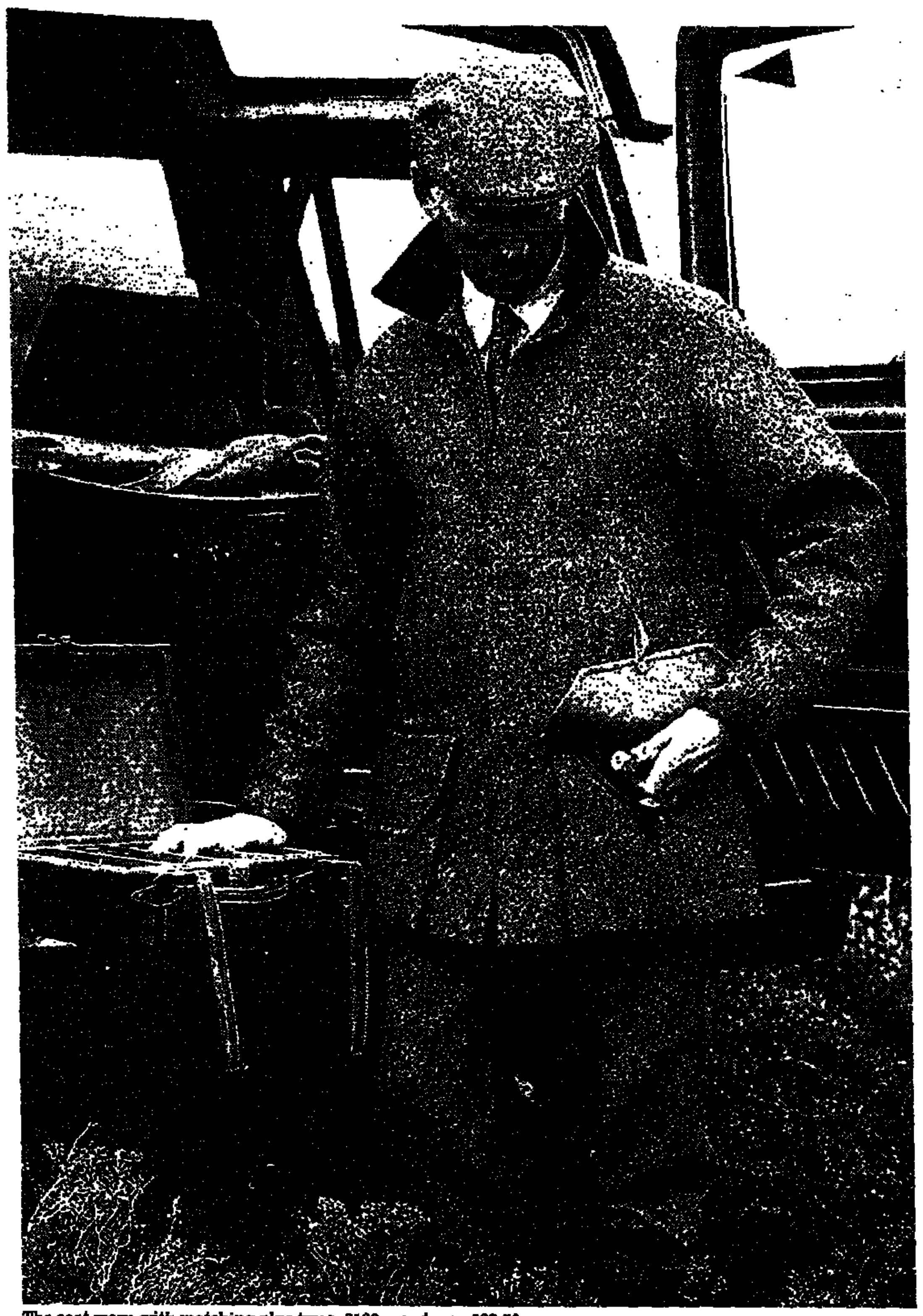
HOW TO SPEND IT

If the going gets tough, call for the Huskies

***Lucia van der Post** on the tweed perfectly adapted to the shooting set*



The coat worn with matching plus-twos, £100 – and cap, £22.50.

A reader writes to me in praise of the glories of the Husky tweed shooting coat. "It is," he says, "the real unsung hero of the shooting field and it thoroughly deserves an article all to its ugly, drab but elitist and oh-so-functional little self."

So, Mr Samengo-Turner, here it is.

The qualities of the Husky tweed shooting jacket are, according to Mr Samengo-Turner, an almost masonically-guarded secret and in the parts in which he shoots (Suffolk: "the home of shooting") it is referred to as "the Norfolk Mink"!

(For those who are feeling sceptical, I should hasten to add that Mr Samengo-Turner has absolutely no financial interest in the matter.)

From this, readers may gather that the jacket confers on shooting folk the kind of status that mink used to confer upon suburban matrons – and make similar inroads on the purse.

There are, of course, more ubiquitous and parvenu rivals which have attempted to bring the ploughed field to the pavements of Wandsworth and which have become the social standby of the "wannabe".

However, the real man and woman of the shooting and country estate proudly sports this garment which looks like a "sackcloth-cum-tweed-wigam". From this, readers will further gather that flattery does not come into the matter. Function and insider knowledge is all.

The charm of the Husky tweed coat is its perfect adaptation to the needs of the shooting set. "Sometimes," says one of Mr Samengo-Turner's shooting companions, "on a very fine day we will all set off in nothing but tweeds – but come the really damp and deep mid-winter days and we revert back to our Huskies."

Huskies come in various forms but the one to which the shooting set is addicted is the one that looks from the outside like a tweed jacket but which is lined with warm, thermal padded quilting.

It is "incredibly warm, virtually waterproof and incredibly hard-wearing" – this is a garment to last a shooting life-time. Indeed Mr Samengo-Turner has shooting friends who are still wearing Husky tweeds made in the late 1960s.

There are all sorts of details which make it the preferred choice of the true shooting man. The sleeves are cut so that the arms may move freely when raising a gun (the technical phrase being a "reverse-cut sleeve"), there are cartridge pockets and insulated hand-warmer pockets.

John Nettles, the actor, resplendent in a Husky shooting coat, £235

There are also storm cuffs, a detachable storm flap and a heavy duty two-way zip.

Those who want the complete look can buy plus-twos and cap in a matching tweed. Tweeds come in quite a range of checks and colours.

Husky's order book, I am reliably informed, reads much like a cross-section of Burke's peerage. And just the other day Prince Edward was photographed wearing one.

According to Mr Samengo-Turner: "If one wears a Husky tweed in London, or on a train into or out of London one gets almost 'secret society' knowing nods and smiles of acknowledgement from country ladies and crusty gents.

"Meeting another wearer in London causes a firm exchange of a 'hello' or a raising of hats! Hunt followers, national hunt racehorse trainers, bloodstock agents, farmers and point-to-point racehorse owners all tends to sport what the Shooting Times once referred to as 'the Rolls-Royce of shooting coats' – although these days, perhaps it should be 'the Subaru of shooting coats'."

Its cult status has caught on abroad, particularly in Italy where an Italian trend-setting socialite wore one at a first night at La Scala and the resulting press hoo-ha was such that the company opened up in Bologna with a showroom in Milan.

Once upon a time the Husky company was a small, little-known secret which operated only by mail order out of Suffolk.

These days it is catching on everywhere and it is stocked by gunshops, riding and shooting shops up and down the country. In London the range can be seen at Harrods of Knightsbridge, London SW1 and in W.H. Gidden branches.

Prices range from between £235 and £245.

Sweet treats that make for an easy Christmas

***Philippa Davenport** opts for desserts which require little preparation*

If I have my way, 1993 will be a no-pudding Christmas. I shall concentrate my culinary efforts on first and main courses and end with the simple splendour of fine cheeses and a personal variation on *les treize* desserts - a selection of favourite fruits and sweetmeats.

Elvas plums, marrons glacés and stem ginger in syrup are the triumvirate of sweetmeats without which no Christmas sideboard looks dressed properly. Chestnuts and ginger have never been hard to come by, thank goodness, but Elvas plums, traditionally imported along with port for the Christmas market, have been elusive in recent years. That they are now on sale again is cause to rejoice – and is due in part to the *Weekend FT*.

A year ago, I wrote in a column that I hoped Elvas plums would, unlike the previous year, be obtainable for Christmas 1992. A reader, an Englishman living in Portugal, rang me straight away. He told me Elvas production had plummeted, distribution in Portugal was erratic and exports had stopped. But he and his family had bought one of the two factory farms still operating and hoped to revitalise it.

Their first harvest, sugar-preserved in the traditional artisan manner and packed into wooden boxes lined with lace-paper, was ready for despatch. They would be happy, he said, to supply my local delicatessen and any other shops I might like to suggest.

Fired by the enthusiastic reception for these tentative consignments, the company Conservas Rainha Santa has redoubled its efforts this year. And providing you buy soon, your sideboard need not lack Elvas plums this Christmas. For your nearest stockist, contact the importer, Porters (tel: 0423-322323; fax 0423-322335)

Figs are another fruit I associate strongly with Christmas. In Amalfi, they are split and stuffed with chopped walnuts and tangerine peel, threaded onto skewers interleaved with bay, and dried. Exquisite but not, so far as I know, available in the UK.

Alternative fig delicacies that *are* on sale in Britain include southern Italian delicacies imported by Patricia Michelson of La Fromagerie, in north London (071-359-7440). Available from her shop and by post are aromatised preserved figs; figs soaked in rum and coated with dark chocolate; plain figs (also clementines) coated in thick dark chocolate; and a stunning confection known as fig balls.

The size of small cricket balls, these are dried figs soaked in honey and fruit juice to make them agreeably moist, packed into a round, and wrapped in vine leaves. She recommends them with cheese, and adds that they could possibly be used as an alternative Christmas tree decoration.

Chocolate-coated Calabrian figs can also be bought from the Algerian Coffee Stores in central London (tel. 071-437-2480, fax 437-5470).

From Spain come fig wheels – small, round cakes of pressed figs layered with almonds and sprinkled lightly with aniseed. A prune and walnut version is also available from the same importer, Brindisa, which can be contacted for your nearest stockist (tel: 071-403-0282; fax 071-403- 5044).

Brindisa also imports some lovely *turron* or *torro* made by a Catalan company called Alemany. Torro Granulat (known as Jijona by some other producers) is an addictive, halva-like ground almond bar with lovely texture. Torro Massapa crema is a smooth almond paste flavoured with vanilla under a burnt sugar coating. The nuts are top quality, making it more nutty than sweet.

Returning to something more British, two companies vie in the "favourite fudge" stakes: the Toffee Shop in Penrith, Cumbria (0768-62008) and Wards of Adisham, Kent (0227-720596). Both sell the lovely stuff by post, and fudge fans may consider acquiring a box from each for a little serious comparative tasting this Christmas.

As for chocolates, Carlo Melchior, of Chittlehampton, makes very fine truffles and praline. For families who may feel cheated if denied plum pudding, a witty solution could be to serve individual ones such as Melchior's gobstopper-size chocolate truffle plum puds filled with brandy-soaked festive fruits and topped with a sprig of marzipan holly.

Melchior also confects amazing chestnut chocolates: dark chocolate filled with soft praline, encased in a green almond paste husk. (tel: 0769-540643; fax 0884-761115).

Ashley Lloyd

On a less calorific note, few things are prettier or easier to make at home than physalis, or cape gooseberry *petits fours*. Pull back the paper lantern petals gently to reveal the small orange berry and dip it into melted chocolate glossed with a little butter (or into warm fondant, if you prefer). I like to leave about half the fruits undipped to show off their bright colour and the unadulterated sweet-sour taste.

Christmas would not be Christmas without pyramids of clementines – so much more intensely fruity than tangerines – and bowls of walnuts and hazels. Now is the time to search junk shops for strong and attractive antique nutcrackers. Few things are more irritating than just one pair between a party of would-be nut-eaters.

Tissue-wrapped amarettis have been my favourite Christmas biscuits in recent years, but the chicest choice this year will undoubtedly be the brand-new Duchy Originals – gingered biscuits which are just beginning to trickle into the shops.

Organic quality and royal label apart, these are a high-quality nibble and deserve to be savoured slowly. They are pleasingly crisp and not too sweet, with an agreeable background nuttiness of malted wheat studded with succulent chunks of faintly lemony Australian stem ginger.

The biscuits are made by Shipton Mill near Tetbury, which can be contacted for the name of your nearest stockist (0666-505050; fax 0666-504666).

A revolution in Toyland

Whatever happened to cuisenaire rods? When my children were small they were the badge of honour of the design-concerned home. You left them lying strategically around the place and visitors could instantly tell that here was a really concerned home – no nasty little plastic thingummies to sully the burgeoning aesthetic sense of the small set. Wooden, hand-made and strictly educational were what made a toy acceptable in the socially-aware home of the late 60s.

So imagine my surprise on opening this year's edition of The Good Toy Guide* to see pages filled with jolly, brightly-coloured plastic toys, offering the kind of joys the poor, deprived children of the 60s never knew.

There, in all its garishness, is the Little Pony Kitchen (£16.99 and "robust enough to withstand the attentions of temperamental young chefs"), the Incredible Crash dummies (£4.99), the Jungle Fun Train (£36.95) and the Bontempi Barbie Audio Cassette Recorder with Microphone, in all its purple and shocking pink awfulness, (£31.99).

Toys, of course, must change as the world changes but today's child is at least not deprived of jollity.

Those wanting advice and inspiration as to what to give anybody under eight could do worse than send off for this guide – every toy has been tested, every one comes with full and clear descriptions of exactly what it does, its strengths and weaknesses, its price and a list of manufacturers' addresses.

* *The Good Toy Guide: £1.25 plus 50p p + p, from the National Association of Toy & Leisure Libraries, 68 Church Way, London NW1 1LT*

L v d P

FOOD AND DRINK

Take a rich sprinkling of serious chefs...

Nicholas Lander gathers some tips from top professionals for entertaining throughout the year

Rick Stein, The Seafood Restaurant, Padstow, PL28 8BY, Cornwall. Tel: 0841-532485.
Earlier this year I bought *Bistro Cooking* by Patricia Wells (Kyle Cathie, £14.99). It is a book of recipes from bistros in France which serves the sort of food that everyone loves to eat and every chef loves to cook: *Oeufs en Meurette, Estouffade Provencale, Brandade de Morue, Pommes a l'huile* and *Petit Sale*. All the recipes work and are refreshingly simple.

There are two fish dishes with similar sauces – skate wing with a sherry vinegar sauce and savoy cabbage and turbot in cider vinegar sauce. Both use plenty of good vinegar, have a bite to them but are not too acidic.

I have borrowed both dishes and cooked them with great success in the restaurant. The sauces are little more than fish stock and mature vinegar reduced down together and finished with plenty of unsalted butter.

Why I have not experimented with vinegars in butter sauces before when *beurre blanc, beurre rouge* and *beurre noir* are such popular vinegar-based fish sauces, I do not know. You need the best vinegars, preferably long matured; the cider vinegar we have just finished from Trebethrick, just across the Camel estuary, was more than 20 years old. I am now busy making vinegars for long maturation.

If anyone has any old vinegars for sale (but not balsamic) please get in touch.

Philip Britten, The Capital Hotel, 22 Basil Street, London SW3 1AT. Tel: 071-589-5171.
Last October I learnt an important culinary lesson the hard way. It is possible and practical to adapt recipes from home to the hotel but you have to be careful which you choose.

Our general manager thought that we should serve our own marmalade in the hotel and that, if it were ready for Christmas, we could give it as presents. He even supplied a recipe that correctly called for bitter Seville oranges.

That was the first problem. Only Valencias exist in October and they are not as suitable or as appetising as Sevilles. Then, when Sevilles do appear, the season is short and I could not store – let alone make – enough marmalade in January to see the hotel through until the next season.

Finally, no-one can agree on how their marmalade should taste or spread: sweet or bitter, how much peel, how thick. Yet this recipe had to suit all needs and would be served at breakfast, a sensitive time of the day.

I finally adapted a recipe adapting the solera system that produces sherry, a fractional blending process in this case using orange juice and orange peel from a variety of different oranges and substituting honey for sugar.

The final hurdle was pectin, the natural gelling agent found in orange pips and normally extracted by boiling them in a muslin bag. On a commercial scale this was impractical and so I searched for a supplier. A wholesaler found a shop in Paris selling powdered pectin.

I was almost there but still the biggest obstacle remained. When the marmalade was ready, the management assembled in front of a table laden with toast, croissants and pots of unidentified marmalade and for an hour we tasted, chewed and marked. *Fortunately, mine came out* top but toast has never had quite the same appeal.

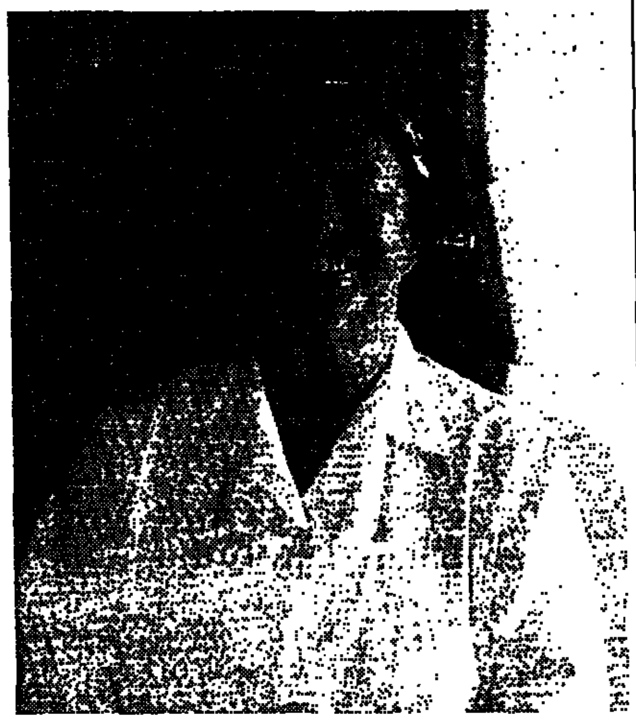
Joyce Molyneux, The Carved Angel, Dartmouth, TQ6 9BH, Devon. Tel: 0803-832465.
I have been cooking professionally for the past 44 years. Changes in my way of cooking may therefore be less dramatic than in that of younger chefs. But such is the nature of this profession that beneficial influences can come from the most unlikely source.

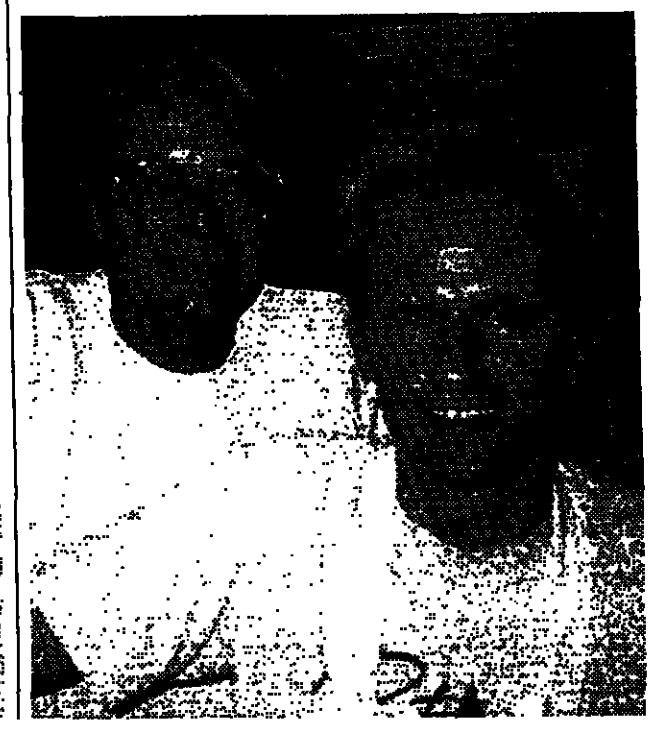
We have vastly improved our method of cleaning scallops as a result of watching the local fish shops' treatment of queen scallops. Our former method was slow and messy. Now we remove the top shell then, using a knife or spoon with a sharpened edge, cut behind the muscle and roe to separate it from the stomach, frill and debris and lift out the scallop and roe. Then the scallop only needs minimal treatment to remove the hard gristle on the side.

Around this time of the year we also order seeds from the new catalogues. Thanks to another chef I can heartily recommend Greek Cross (from Suffolk Herbs). It is a tangy mustard-like plant that grows easily (and incidentally runs to seed just as easily) but is delicious in salads.

More by accident we also discovered a red cabbage, red onion and beetroot combination that is excellent with game, pork and ham. Add half the volume of coarsely-grated beetroot and sweated red onion to the red cabbage braised in the normal manner. Mix in, adjust the seasoning and reheat to serve.

Finally, we make over 1,000 Christmas puddings each year. Our streamlined production may help others. We put in a blender: eggs, apple, crystallised ginger, lemon and orange juice, brandy and lemon and orange peel removed with a potato peeler. Blend well, then put into a bowl with all the dry ingredients. I have not tried it but I think the base mix in the blender would make a nice baked pudding on its own.





Melvyn Popham and Dennis Hawkes, Pophams, Winkleigh, EX19 8HQ, Devon. Tel: 0837-83767.
Our kitchen is open-plan, tiny, 9ft x 9ft, and was neatly described by one customer as coffin-sized. To work in it requires organisation, careful preparation and staying within one's limits. It is like cooking for friends at home but we do it six days a week.

Dishes need to be creative but simple to prepare with, crucially, little fuss at the moment of serving. And, because our customers are watching our every move, creativity moves both ways.

One dish that a customer said he would be trying for himself came about after the delivery of some local smoked bacon. It consists of a plate of salad leaves topped with sliced avocado and finished with the hot, crisped smoked bacon and a walnut oil dressing. Easy and effective.

Our much-praised dish with duck breasts came from a customer's suggestion. Thanks to her, we now marinate them overnight in honey, soy sauce, ginger and sherry vinegar and then bake them in the oven.

The small size of the restaurant does at least allow us to overhear the compliments. One individual vegetable dish I prepare involves layers of aubergine and tomato baked in the oven. The aubergines are sliced, salted and left overnight so that the bitter juices run out. Pat them dry, fry in hot oil and pat dry again.

Then in an individual gratin dish, layer the aubergine and slices of raw, skinned tomato, finishing with the tomato. Grate black pepper and add a drizzle of double cream, Parmesan, breadcrumbs and a nob of butter. Bake in a hot oven for 20 to 25 minutes.

After one customer had devoured every morsel he asked for the recipe, only to be told by his wife: "But you don't like aubergines!"

Hilary Brown, La Potinière, Gullane, EH31 2AA, Scotland. Tel: 0620-843214.
Although we live on the east coast of Scotland close to some of the finest salmon fishing rivers, poached salmon has never excited me. When we were served salmon fillets fried on the skin side only in a restaurant in the south west of France, it was a revelation.

The frying pan must be very, very hot before adding a tablespoon of oil.

Then the salmon fillets are fried quickly so that the outside is crisp and the inside remains moist and slightly undercooked (an extractor hood or open window is essential). Allow about five minutes for a skinless fillet and about seven for a piece with the skin on, depending on its thickness. Use tongs to turn a couple of times.

The skinless version I serve on a bed of spicy lentils with leeks, garlic and a morille sauce alongside. The crispy blackened skin version I serve with a mound of finely-shredded spinach, oak leaf, lollo rosso and basil, along with a virgin olive oil sauce containing finely-diced red pepper and chopped basil. Top both versions withcoarsely crushed Maldon sea salt.

David and Mary Adlard, Adlard's, 79 Upper St Giles Street, Norwich, NR2 1AB. Tel: 0603-633522.
This year is the restaurant's 10th anniversary and so far Mary and I have survived my stroke, two children, moving the restaurant, moving homes and the recession.

One of the most exciting times in the kitchen is discovering a new supplier. It may be the opted-out teacher with an array of wild mushrooms, the organic farmer with Swiss chard, globe artichokes and *La Ratte* salad potatoes, or the woman with quails' eggs in her plaited basket.

As a result of our latest move we now have a garden and I grabbed a tiny area as a vegetable garden for salads and edible flowers – nasturtiums, pot marigold, Oriental Saladini, sorrel and Japanese salad, nizuna and tatsoi from a visit to Amsterdam. With these ingredients we serve a simple dish at lunch – Salad of globe artichokes and *La Ratte* potatoes with a red pepper sauce.

Peel the artichokes, revealing the heart. Submerge in white wine vinegar for 20 minutes. Wash the vinegar off and cook until tender in chicken stock. Remove the choke and cut up the artichoke and dress with vinaigrette (5:1 extra virgin olive oil to red wine vinegar plus seasoning).

Cook the unpeeled potato in salted water until al dente. Peel and slice the potatoes and toss in vinaigrette and chives, chopped shallots and garlic while the potatoes are warm. Check the seasoning.

Discard the pith of the red pepper. Sweat the pepper with shallots and garlic, add white wine and orange juice and reduce. Add chicken stock and cook until the red pepper is soft. Magimix and pass through a sieve. Season.

Then assemble the dish starting with the red pepper sauce, then the artichokes and potatoes and a great fresh dressed salad with edible flowers, using fresh herbs. Please, eat the flowers.

FOOD AND DRINK

What's good for the goose . . .

*First of two articles by **Philippa Davenport** on the gastronomic pleasures of a good foie gras*

I can live without caviar. Black truffles leave me cold. *Foie gras* is what I want for Christmas.

Foie gras is to the French what smoked salmon is to the British, celebratory food every family aspires to on special occasions. While some of us may feel slightly uncomfortable at the thought of *le gavage*, the French are unperturbed. With a Gallic shrug of the shoulders they remind you that geese in the wild fatten themselves up naturally, gorging as much as they can prior to migration.

French *foie gras* producers may also point out that their birds enjoy far longer and freer lives than those of the chickens which the average Englishman eats. (The British broiler is tightly confined for its 49-day sentence of life. French ducks and geese destined for *foie gras* and confits range freely for four to five months before the four- to five-week intensive fattening process begins).

Arguments have always raged, and probably always will, about whether duck or goose makes the best *foie gras*. Goose is rarer now as it is more trouble to raise and feed, but its devotees rejoice in its richer and smoother texture, silky on the tongue. Duck, on the other hand, is prized for its deeper, winey, almost gamey flavour.

What the French and the British mean when they talk of feasting on *foie gras* is not necessarily the same thing. French households may be thinking in terms of *foie gras cru*, fresh and raw. Failing that, they will probably opt for *mi-cuit* or *demi-conserve*. In the UK, most people know only the preserved product, cooked at length and sterilised in tins or jars, and many will never have tasted anything more luxurious than a duck or goose liver pâté or parfait. Pâté and parfait are the bottom rungs of the ladder of *foie gras* delights, permitted legally to contain as little as 50 per cent and 75 per cent of *foie gras*, respectively.

To get 100 per cent pure *foie gras*, you need to look for certain wording on the label. Top of the range and most expensive is *foie gras entier*: whole lobes or a large piece of lobe, with small pieces permitted only to make up weight if necessary. Then comes *foie gras d'oie* and *fois gras de canard*. This consists of pieces of liver pressed together.

Finally, 100 per cent *foie gras* is also available as *bloc de foie gras*. This is considerably cheaper, a loaf of smoothly blended *foie gras* trimmings, usually with chunks of liver embedded in it.

When preserved *foie gras* is produced skilfully, it can be memorably good, velvety rich in texture and delicately flavoured. It also has the advantage of long shelf life. It can be kept safely for a year or more in a larder, ready to draw on whenever the desire to celebrate occurs.

Traditional stockists in Britain include classy old-fashioned grocers such as Fortnum & Mason in central London. Now, Fortnum has been joined by specialist mail order companies such as Clark Trading (tel. 081-297 9937 fax. 081-297 9993), which imports respected brand names such as Auguste Cyprien, of Perigord. Home deliveries are despatched promptly for all manner of preserved duck and goose products, from *foie gras* to *cassoulet*.

More delicate than preserved *foie gras* is *mi-cuit* or *demi-conserve*. *Mi-cuit* here does not mean half-cooked in the sense that more cooking is necessary before serving. It means cooked and pasteurised for eating quickly.

The downside of *mi-cuit foie gras* is that it keeps for about three weeks only and must be kept refrigerated, but discerning palates wax lyrical about its tenderness, succulence and fresher taste.

Elizabeth Rostaing (081-788-6906), who operates a year-round mail order service for preserved *foie gras* and other duck and goose products from Landes, supplements her list with *mi-cuit foie gras entier* and en bloc at Christmas only. The *mi-cuit* is, alas, too perishable to send countrywide; but orders can be collected from her, or she will deliver to London addresses.

Mi-cuit and preserved *foie gras* are served the same way. Chill the liver for a few hours, then turn it out of its container complete with surrounding fat. The fat can be served with the liver or saved for frying potatoes. Slice the *foie gras* cleanly using a hot, sharp knife dipped in boiling water and dried before making each cut.

Then serve with toasted brioche or plain toast, with or without a little salad – say, endive or chicory scattered with thin, sliced, raw mushrooms dressed with walnut oil.

The greatest treat of all is fresh *foie gras*. Raw fattened goose and duck livers are not easy to buy in Britain but you might find them at such places as Boucherie Lamartine in Ebury Street, London SW1 (071-730-3037); the delicatessen counter of Selfridges in Oxford Street, London W1 (071-493-0568); or you can order from Vivian's in Richmond, Surrey (081-940-3600).

Fresh *foie gras* is far from cheap, but Father Christmasses who might have contemplated giving diamonds a few years ago will consider it a bargain at about £45 for a 2lb liver. As for the cooking, Sidney Smith's idea of heaven was *pâté de foie gras* (that is to say, *foie gras* enclosed in pastry and baked) eaten to the sound of trumpets, a feast he enjoyed at a dinner in Brussels.

More often today, *foie gras* is cooked *en terrine*, baked gently and minimally in a *bain-marie*. This is, I am told, a tricky operation, for *foie gras* is a very delicate piece of meat which is destroyed easily by overcooking. Too much heat and it melts away – literally.

Also popular now is steaming and poaching *foie gras* in rich stock. Simplest, quickest and possibly most delicious is to sauté *foie gras*. Slice the liver and season it with salt and pepper. (Alsatians would add a few spices, Gascons a splash of armagnac).

Sauté it swiftly (it barely needs to glance at the heat) and garnish it with quickly fried apples, gently warmed grapes, or a sprinkling of capers and chives. The meat should be meltingly tender and rich, dissolving deliciously on the tongue.

A mighty malt

Giles MacDonogh on the virtues of the Balvenie

With the profusion of single malts on the market, it is easy to forget that whisky companies still think their business is, first and foremost, about blending. The Johnnie Walkers of this world are now up to 150 years old and *still* going strong. It will take a while before big companies realise the market is getting bored by blends and wants more malt.

The need to provide for blends has meant that some of the very best malts have been restricted to a tiny circle of blenders and specialised journalists. The only way for a connoisseur to get hold of them was from an independent bottler, such as Gordon & MacPhail or Cadenhead.

The Balvenie is interesting in this regard. William Grant was the first to market malt properly around the world when, early in the 1960s, it re-packaged Glenfiddich. This was such a success that it obscured the fact that Grant had other distilleries – one of which, the Balvenie, was considered at least as good as Glenfiddich, if not considerably better.

With Glenfiddich increasingly in demand as a single malt, however, neighbouring Balvenie had to tout for business in "fillings": that is, to market itself as an important component part in the blends of Grant and other companies. Thus, getting a bottle used to be a labour of love.

In the past few months, though, there has been rather more of it about. The reason is that Balvenie celebrates its 100th anniversary this year, and Grant has marked the occasion by issuing a third version to complement the two which were available, although in small quantities. It also has re-packaged the lot in smart new bottles.

Glenfiddich produced its first "white" whisky on Christmas day 1887, so the Balvenie is Glenfiddich's junior by just six years. Scottish thrift governed both operations. Where Glenfiddich's stills were bought second-hand from Cardhu, those at Balvenie came second-hand from Lagavulin, on Islay. Even thriftier, and considerably more barbarous, was the decision to use Balvenie House as the core of the new complex: it was, by all accounts, a rather grand 18th century mansion.

Balvenie retains a good many features from the original conception. Less than 10 per cent of single malt distilleries still kiln a percentage of their malt; Balvenie is one of them. Some of the barley even comes from the Grant farm, which surrounds the distillery complex. The malt is peated very lightly, in the Speyside style. Indeed, the peating has been reduced in recent years, so there could be a touch more on older bottlings than there is now.

At Glenfiddich, they set great store by having retained the original coal-fired stills. A direct flame under the still will require use of a "rummager" to prevent the yeasty solids from catching and burning and, in some distilleries, the rummager is considered a quality factor as it is said to "toast" the yeast. But because of the Balvenie's lesser vocation as a source for blending, the rummagers were removed, along with the coal fires. This might well have affected the complexity of the malt.

Balvenie's stills are much taller than those at Glenfiddich, with noticable "boilpots" – a swelling in the neck of the still which makes the copper look like some sort of long-necked bird which has swallowed an exercise ball. Their purpose is to create a reflex action which adds to the structure of the spirit.

The Balvenie is a rich, relatively heavy whisky – far more so than its stablemate. It also sees the inside of more old sherry casks than Glenfiddich, and about a quarter of the 10-year-old malt – the Founder's Reserve – has passed through these. Being a sweetish whisky, it marries particularly well with the traces of sweet wine in the sherry butt.

In the old days there was also a Balvenie Classic, but this has been replaced by Double Wood – a 12-year-old malt which has been aged in old bourbon whisky barrels for 11 years and then run off into sherry butts for six months. Its final six months before bottling are spent in bourbon oak and the result is a happy fusion. The sweet, fruity element is there along with the slightly buttery character imparted by the bourbon wood.

Finally, Grant has brought out a 15-year-old, single-barrel, cask-strength malt. This is bottled cask by cask at 50.4 per cent. Only bourbon barrels are used to make it an uncompromising version of the "bourbon" style of malt whisky: intensely buttery and with an attractive smokiness – but with all that Balvenie sweetness on the palate.

Tony Andrews

Seeing double: Carolyn and Deborah Power, identical twins and joint chef pâtissiers at The Connaught in west London

An identical taste for cakes

Around Christmas there is a change in our eating habits. The beginning of each lunch is a little more leisurely and there is a tendency to linger over dessert.

But in the pastry sections of hotel and restaurant kitchens there is organised chaos around mid-afternoon as mince pies are served and Christmas puddings warmed.

However, for Michel Bourdin, chef de cuisine at The Connaught, there is no such panic. His seven-strong pastry section is in the calm and capable hands of Carolyn and Deborah Power, joint chef pâtissiers and identical twins.

They have been cooking together since they were nine when their father sold his business and took the family on a boat for year. There was a brief period when art school beckoned but the twins opted for catering college in Southampton, Hampshire, and, keen to open their own restaurant, followed that up with a management course. In 1978, aged 21, they opened The Hour Glass at Fordingbridge, in the New Forest, which they ran successfully for ten years.

Their ambition as restaurateurs realised, they sold the restaurant and moved on to pâtisserie, working in a family-run chocolate factory in Switzerland and in a pâtisserie near Lyon, in southern France. With their skills honed it was time to move back to London.

They felt drawn to The Connaught but, having spent Christmas 1989 on trial icing Christmas cakes for Michel Bourdin, they were told there was no room for both of them. They did not want to work apart so in early 1990 they went around the kitchens of London's other top hotels, returning to The Connaught for a second interview. To their relief, positions were found for them both.

Since, they have studied hard. For two years they spent days off on an advanced pâtisserie course taught by John Huber, England's "professor" of pâtisserie. They followed that with a course on *petits gateaux* at Lenôtre in Paris and a visit to Jean Thuries, an expert with spun sugar, in Cordes, south west France. Talent, application and hard work led to their appointment as joint chef pâtissiers at The Connaught in April.

Ironically, that new position meant that the Power sisters have been forced to work apart for the first time in their lives. In an hotel open seven days a week, in which they are responsible for their section's total production – croissants, Danish pastries, scones, desserts, petits fours, the lunchtime buffet, ice-creams and sorbets – they often have to work different shifts.

In June, Carolyn went to Canada to represent Great Britain as pastry chef in an international culinary contest. She returned with a string of gold medals. Deborah retaliated by going to South Africa on the fund-raising World Cooks Tour for Hunger.

In the short term their concentration is fixed on Christmas. Producing 1,500 mince tarts, Christmas cakes and puddings, Yule logs, chocolate Santas on chocolate sleighs and the chocolate centrepiece for the hotel's reception will keep them busy. After that it is on to truffles and chocolate for New Year's Eve.

They are both convinced that the future lies in setting up their own business again, perhaps owning their own tea room and pâtisserie and reviving old English recipes for cakes, tarts and sweets.

Nicholas Lander

FASHION

Designing is so tough, sighs Japan's queen of innovation

***Alice Rawsthorn** meets Rei Kawakubo, a major force in the industry for 20 years*

Rei Kawakubo sits at a small, square table in the Comme des Garçons office on Place Vendôme in Paris, fidgets with her silver bangles and heaves a deep sigh. "I don't find it enormous fun being a fashion designer," she says.

"The fashion system is very hard. It's ridiculous to be expected to find a new direction every six months. But my clients expect me to move forward with each collection. It's tough."

Tough, or not, few designers have done it better than Kawakubo, 51, who has been one of the most innovative forces in fashion for the 20 years since she founded Comme des Garçons in Tokyo. She is still known best for the stark, monochrome clothes she showed in her first Paris collections during the early 1980s. But she now has a new prominence as an important influence over the present crop of young European designers – Martin Margiela and Ann Demeulemeester.

"One word sums her up – individual," says Katell le Bourhis, director of the Musée des Arts de la Mode in Paris. "Most fashion designers re-interpret influences from the world around them. Rei Kawakubo is one of the very few who is absolutely herself. She pursues her own vision without ever, ever compromising."

Everything about Kawakubo, from her bluntly bobbed hair to her intense expression, exudes purpose. She sits in the Place Vendôme office wearing one of her pinstripe pinafores over a black jumper with the sleeves rolled-up, ready for work. Her face is free from make-up. The only visible concessions to feminine vanity are the bangles and her nails which, surprisingly, are manicured meticulously.

Kawakubo is the sole owner of Comme des Garçons, a $100m (£70m) company, which ranks her alongside Donna Karan in New York as one of the world's wealthiest female fashion designers.

She exercises rigorous control over every aspect of the business, from packaging design to insisting that her 400 employees clear their desks before leaving each evening.

Rei Kawakubo . . . 'I created my own tradition'

"The breadth of her vision is remarkable," says Deyan Sudjic, editor of *Blueprint*, a design magazine, and author of a book about Kawakubo. "She is not a conventional fashion designer who allows their clothes to be sold in someone else's shop. She goes further than that."

Kawakubo was born in Tokyo in 1942. Her father was an academic at Keio University, one of Japan's most noted educational institutions, and she studied fine art there before working as a stylist in the advertising industry, one of the few areas of business then open to young Japanese women.

She started designing clothes to use in her advertisements and registered Comme as a company in 1973. The name was chosen, uncharacteristically, on a whim. "There was no serious reason," she says. "I just liked the sound of it."

Kawakubo was lucky. She began her business at a time when the Japanese economy had repaired the damage caused by the second world war and was starting its period of frenetic growth. Many of the most influential figures in contemporary Japanese design started at the same time, including Yohji Yamamoto and Issey Miyake in fashion, Shiro Kuramata in furniture, and Tadao Ando in architecture.

Japan, late in the 1960s, was in a cultural vacuum, still struggling to find a new identity after losing the war and the US occupation. Yamamoto, with whom Kawakubo had a long personal relationship, once described their generation of Japanese as "rootless".

Kawakubo turned this rootlessness to her advantage. She had no formal fashion training and says she has no conscious memory of western fashion from her youth. Whereas today's young Japanese designers are bombarded by images of the French and Italian clothes crammed into Tokyo department stores, Kawakubo had nothing to draw on but her imagination.

"I created my own tradition," she says. "I'm not inspired directly by other people or even by places. I try to detach myself from the outside world and work within my own vision. Everything is very internalised." The result is an unapologetically modern form of opulence.

The decoloured fabrics that were such a hit this autumn

At its simplest, Kawakubo's approach is a blend of austere Zen aesthetics and technological innovation through the luxurious synthetic fibres and fabric finishes she develops with Hiroshi Matsushita, the Japanese fabric technologist.

Over the years, she has been responsible for a string of fashion "firsts" – assymetric silhouettes, irregular hemlines, unfinished edges, double collars and odd buttons – many of which have been seized upon by other designers and then diluted for the mass market.

Comme devotees are attracted less by her innovations than by the quality of the fabrics and her hidden touches, such as the exquisite linings and beautifully finished buttonholes. Kawakubo attracts the same sort of wealthy, arty customers to her shops in London and New York, as in Tokyo.

Charles Saatchi, the UK advertising executive, is a fan, as are Alan Yentob, controller of BBC1 television, artist Francesco Clemente and furniture designer Tom Dixon.

A blend of austere Zen aesthetics and technological innovation

"I love her stuff," says Dixon. "Sometimes, you look at some of the weirder styles and think 'Hmm'. But most of her designs are really very classic. I've got a lot of wear – really a lot of wear – out of my Comme clothes."

Kawakubo still spends most of her time in Tokyo where she works 14 hours a day with her collaborators, many of whom, such as Matsushita, have been with her since the start. One of her latest interests is the furniture she designs with Toshiaki Oshiba, using the same combination of minimalist forms and modern materials as her clothes. "I can do things with furniture that I can't with fashion," she says.

"A piece of furniture is a pure object whereas clothes always have to be worn, which imposes limitations."

Her fashion collections have softened in recent seasons. Black still looms large, but this autumn's range includes beautiful brocades and translucent viscoses in more mellow shades.

Some observers attribute the new style to Kawakubo's marriage last year to Adrian Joffe, an Englishman in charge of her European business. She is as uncompromising as ever, though.

Kawakubo visited Tom Dixon's south London studio recently to choose some work for the Comme shop in New York. She rummaged around until she found a lamp he was making by stretching brightly-coloured pieces of tissue paper over a wire frame. "Rei knew exactly what she wanted," says Dixon. "She pointed at the lamp and said: 'I'll have 10 of those – all in black'."

■ *Comme des Garçons is at 59 Brook Street, London W1*

FASHION

Real women wear the trousers

*Micro-skirts are fine for waifs but should otherwise be avoided, says **Avril Groom***

Sharon Stone's legs did it. Until she stomped down Valentino's catwalk in Paris wearing a mini wedding dress and lace tights, all the impossibly short, floaty skirts wafting round the international collections had created only a vague sense of unease. To be sure, they were hardly practical for normal life but, on unnaturally etiolated catwalk waifs, they looked innocent and charming. It was easy to be blinded by their beauty.

It took only one real woman - and a very fortunately built one at that - to reveal the awful truth. The kindest word I heard about poor Sharon in "those" tights and "that" skirt was "sturdy." Far less kind words will be applied to the great chunky-legged majority if they try to follow fashion next spring.

The question is: why should the abiding image of high fashion for next season be a garment that is neither quite a petticoat nor an outgrown gymslip and looks good only on immature-looking waifs? Partly, it is because of this very self-selecting elitism - you have to be one of a special band to join in. Partly, too, it is because of the snobbism that lies behind its impeccable designer provenance.

After Karl Lagerfeld put pelmet skirts - always a good publicity gambit - into his autumn couture collection for Chanel, the house's telephone was red-hot with orders. Chanel's ideal customer – and, in this case, her daughter – may be impossibly rich and thin (rich women, whatever their figures, always seem to have good legs) but, in reality, Chanel may be responsible for some sorry sights.

Whether it be in the interests of a good joke or of press coverage (sometimes the same thing), "Kaiser" Karl has never been above over-stepping the limits of good taste. He is also promoting the return of white stilettos. But, no matter how crazy or unwearable his ideas, he will have the last laugh because he is so influential that – and here is the crux – his ideas are followed slavishly by the ever-younger band of stylists and fashion editors who are the image-makers for magazines and advertising.

They are so mired in the fashion world that, like a drug, ideas need to be ever more sensational to excite them. The seriously short A-line skirt – new, provocative, even shocking – is their biggest buzz for years. They are ordering micro-skirts for themselves already; and although their readers or customers may not like it, that is what they will get.

At this very moment, some junior fashion editor, years younger than most of her readers, is preparing a feature which suggests "the" look for spring is a micro-mini skirt worn with ankle socks. Indeed, when Daks launched a new range of children's wear recently, the pink and white striped A-line skirt intended for 10-year-olds was snapped up by a fashion-forward magazine to photograph on a 6 ft super-waif.

The bug has even attacked entirely sensible people. When Benny Ong, a highly experienced and successful designer, showed a capsule spring collection to favoured press people and customers recently, nearly everything was very pretty, very flared and very short. "Isn't there anything longer?" wailed women used to relying on Benny's graceful, long-line skirts. There were indeed, explained the designer, but he wanted to promote a new, younger look.

This is the real problem for real women. Every collection contains trousers and long skirts which make sales rather than headlines and which are kept out of sight, like dark secrets, when the press are about. But why should women, who prefer not to look like old mutton dressed as spring lamb, be bereft of an image to which they can aspire?

Some designers, such as Armani and Ralph Lauren, recognise this and are full of instantly usable ideas. There is the beige trouser suit, which will be everyone's working life-line.

There is the quiet but insistent return of that thrice-blessed garment, the drawstring trouser.

There is Whistles, where owner Lucille Lewin is five feet nothing, always looks immensely stylish, and is undecided about wearing a mini. She has bought a smattering of tiny skirts (most already earmarked by 15-year-old fashion editors) for her shops, and says: "There are no rules in fashion now. Women are more confident with their own style, be it long, short or trousers."

Now that women are independent and assertive, the waif-in-a-mini might have advertising appeal because this is the last female image left that allows men to feel masterful. It also goes down well with stylists, not long past their dormitory years, who feel more at home with it than with grown-up sophistication.

In other words, next spring's fashion will sort the women from the girls. And real women will be wearing the trousers.

Striped cotton shirt, £55, tartan Harris tweed waistcoat, £69

Cotton rib cardigan, £58

Dark brown fake fur-collared leather jacket, £422, worn over a wool gaberdine blazer, £145

Another piece to fit the Jigsaw

*A womenswear chain turns its attention to men, reports **Jane Mulvagh***

Something strange happened in early November: a new menswear shop was opened and there was not a polo mallet in sight. Jigsaw, a chic womenswear chain which has long been a favourite of many a fashion-orientated working woman, has moved into menswear. With 28 women's shops already flourishing, the team behind Jigsaw decided the time had come to provide for the aspiring male the chic and well-priced clothing purveyed to his sisters.

To those who have wearied of the cliché of the polo mallet – it seems to be taken for granted that this aspiring sport imparts a virile, lady-killer image on cotton-knits and moleskins – Jigsaw's marketing imagery makes a refreshing change.

Jigsaw's hero is more likely to be found in an East End boxing gym. He might have borrowed the squire's sporting fabrics – moleskins, Harris tweeds, waxed cottons – but the styling recalls Michael Caine's *Alfie* rather than one of the Hipwood brothers astride a polo pony.

The relatively inexpensive clothes are aimed at young, urban professionals. It arose from the constant requests by female customers for a range to suit their husbands and male friends.

Now that Paul Smith has turned his designing talents to womenswear and Agnès B has turned hers to men, the distinction between menswear and womenswear designers has broken down.

On offer are ink, peat or sage Harris tweed, three-button jackets at £135, navy, indigo or parchment chunky cable knitwear (£40-70), moleskin jeans (£45), plain cotton shirts (all under £50) and waxed leather pea jackets (£422). The mood is city roughwear and it is not over-designed.

John Pawson, a 45-year-old architect known for his unremittingly restrained taste, was chosen to test-run the collection. He loathes "dressing like an architect," although he has turned the white shirt into a professional shibboleth. His first reaction was, frankly, disappointment: "Tailoring that looks good on a drawing board or a dummy rather than worn," he said.

Take the Harris tweed jackets, he said. Is there a point in buying one – even if inexpensive – if it is clumsily executed? Is not Savile Row, Daks or Oxfam a better buy, depending on your budget? Wearing the moleskin jeans, he mischievously asked: "Isn't this what you see those foreigners in – you know, those polo players?"

He thought the knitwear well-designed and good value. Stroking his chest in a cable-knit Aran, he added: "I could very happily walk home in this," and, inspecting a plain white shirt, he acknowledged that "for the price, this is pretty good." No mean tribute from Mr White Shirt himself.

While the tailoring is disappointing – a much greater sharpness is required – the knitwear is first-rate. Basics, such as t-shirts and trousers, are so-so and the leathers and suedes are excellent, especially the waxed leather pea jacket and the reefer.

Jigsaw has managed to keep its prices down because it does almost everything itself, from owning factories and making the clothes to running the shops and selling. The crucial balance between value and quality is maintained by cutting out the middleman, overseeing production and ensuring prompt delivery.

Four newly-acquired factories (for tailoring, leather, knitwear and denim) are stocked with the latest technology, such as autojigs and jet pocket machines.

Jigsaw can test prototypes on its own machines and the design team can experiment with the latest fashions in its own prints and fabrics. A substantial part of its business is based on reacting within a week or so to the latest trends from Paris, Milan or New York.

Its factories are independently accountable and must run at a profit and not be subsidised by the retail side. For that reason, extra capacity (approximately 20 per cent) is leased out.

Jigsaw is owned by John Robinson, its managing-director. Chris Bailey, the production director, has a half-share in the factories. The company has an annual turnover of £23m and is entirely self-financed – not least because British banks are usually reluctant to finance fashion projects. Like its competitor, Paul Smith, it is proud of its financial self-sufficiency.

The price/quality ratio in the Jigsaw women's range is a key ingredient in its success. It has built up an impressive bank of loyal customers, for which much praise must be given to the helpful shop assistants who wrap even a modest T-shirt in tissue paper, according it the respect of a designer suit. Jigsaw was, rightly, short-listed for a British Fashion Award this year and although it failed to win one, it is some indication of the esteem in which it is held by the British fashion world.

The problem with the new venture is that menswear, particularly outerwear, such as jackets and suits, requires much higher standards of construction, cut and finish. Men are less inclined to buy on a fashion whim. They tend to demand longevity and, if buying a classic clothing item, such as a Harris tweed jacket, expect it to look more than competently executed.

Chris Bailey assures me that he is well aware of this deficiency and that the standard will be vastly superior once the men's tailoring factory opens in the new year.

At the other end of the scale, the reputation for service, quality, choice and dependability earned by The Gap and Marks & Spencer for modern basics, manufactured by the million and styled as neutrally as possible, will make it hard for Jigsaw to win part of that market for cotton polo-neck skirts, T-shirts, chinos and jeans.

Their understandably limited range cannot offer a wide choice in colour, size and leg lengths, for example.

In this environment, can Jigsaw prove that polo-free men's leisurewear can sell?

■ Jigsaw, 9-11 Floral Street, London WC2. Early next year a men and women's store is due to open in Leadenhall Market in the City of London.

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ARTS

Why videos are not so nasty

Censorship removes insights as well as so-called 'incitements', says Nigel Andrews

Christmas approaches, season of jollity and good will, and the only video anyone is talking about is *Childs Play 3*. Did one of James Bulger's killers watch it in the days before the murder and might it have spurred him on? The boy's parents, police interviewers and lawyers all said they believed not. But that has not stopped the trial judge from rounding up the usual scapegoat and issuing another public warning about so-called Violent Videos.

Old habits die hard and it is no disincentive to our nation's wig-wearers that we live in a country whose repressive screen legislation is already a source of amazement, sometimes derision, to neighbour countries. As they note on the continent, football hooligans and violent crime statistics like Britain's are a grand advertisement for the success of a censorship-prone society.

Childs Play 3 is a foolish little shocker with two chance similarities to the Bulger case: paint thrown in victim's face, journey to murder spot. Draw a line at screen fare like this and little short of *Home Alone 2* would escape censure.

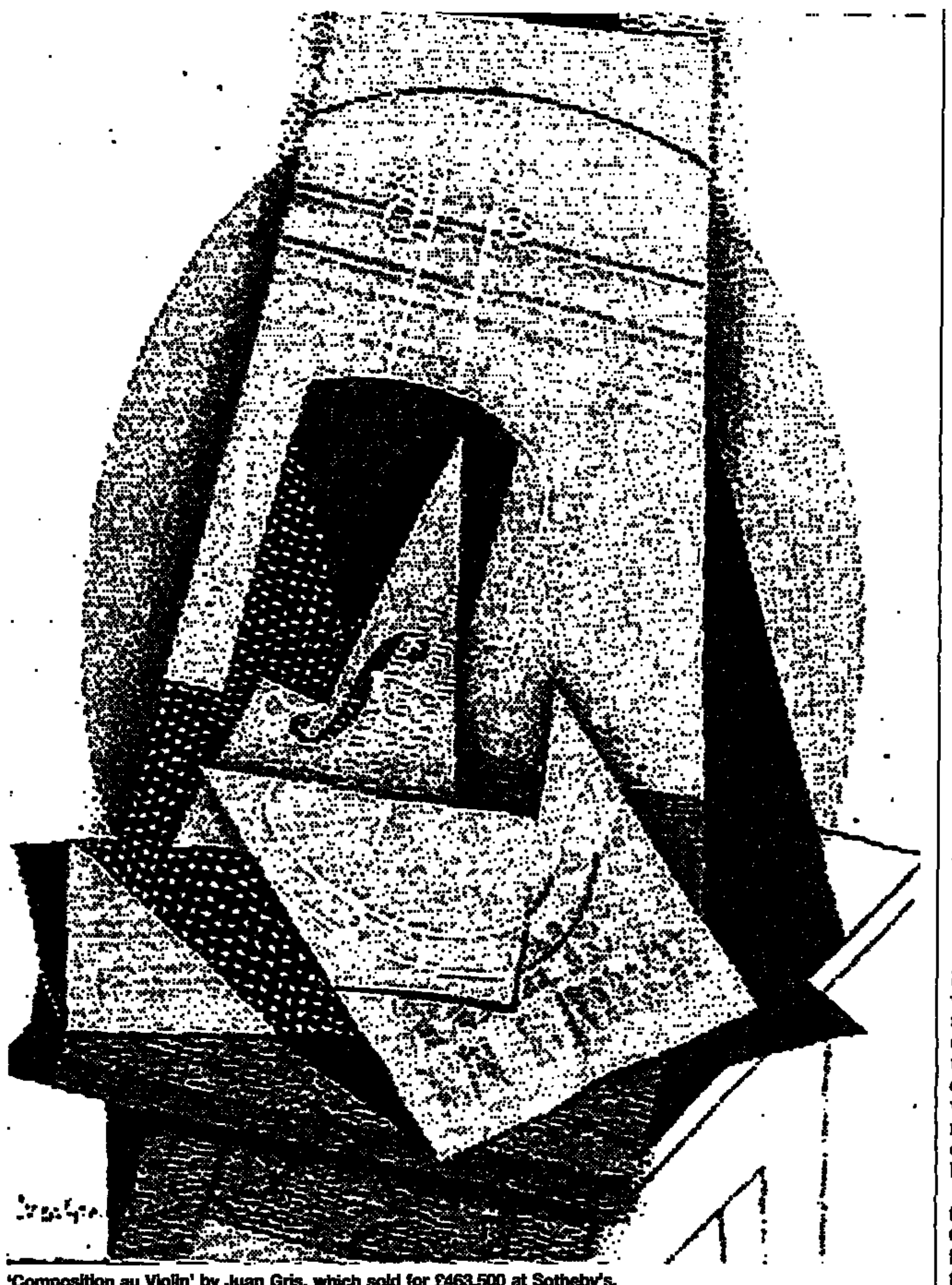
Yet the madness of the More Censorship lobby marches on, and attempts to make them pause by raising questionable precedents have little impact on their zeal. Twenty-five years ago Mary Bell, the 11-year-old killer of two small boys, said she was inspired to her murder by watching TV's *The Saint*. Should we have banned that? And 12 years ago a US President might have avoided an assassination attempt if the films of Jodie Foster had not inspired his assailant. Should we ban *Taxi Driver* and *Bugsy Malone*? (Long before the moving image, of course, brutal murders were committed without any help from the screen. See Jack the Ripper, Lizzie Borden and company).

Imitation is the mechanism most censorship lobbyists ring alarm bells about. But imitation has little or nothing to do with most filmgoer's response to TV, videos or films. Take four varied movies about violence issued on cassette this month. Henri-Georges Clouzot's classic French shocker *Les Diaboliques* (Simitar) has a tale more gory than *Childs Play 3*. A brutal headmaster is graphically killed by two women – wife Vera Clouzot and schoolmistress *Simone Signoret* – after which he returns, or *seems* to return, to terrorise them.

What should we do with this film? It is searingly convincing dramatically; it will purvey emotion, *catharsis* and even psychological insights to 99.9 per cent of viewers; and yet it might be "imitated" by the other 0.1 per cent. So might more recent, populist fare like *Falling Down* (Warners) and the notorious Belgian film *Man Bites Dog* (Tartan). In the first, disgruntled yuppie Michael Douglas takes the law into his hands and goes on a citywide violence spree. In the second a serial murderer shows off his killing prowess to two camcorder-wielding friends.

Same problem. Emotion, illumination, thought-provocation for 999 viewers; blueprint for action for our lone Citizen Psychotic. If we intervened in screen culture, given these odds and unpredictable indicators, where would we stop? Why would we not harry into oblivion other films immortalised on videotape this month? Bergman's *The Seventh Seal* (Tartan): mediaeval brutality, disease, fetishisation of death. Fellini's *La Dolce Vita* (Electric): decadence and lust in swinging Rome. Sally Potter's *Orlando* (First Independent): war, transsexualism, single motherhood. Taken to its extreme, the mad logic would be unerring. We would end up having to gear all our films towards sedating the disturbed or potentially dangerous mind.

So long as violence and other aberrant behaviour, actual or arguable, exist in the world, so should their representation in our culture. The decrying of films and videos as a spur to delinquent behaviour has become a tired catcall, as lazy and irresponsible as it is unproven. "Out of sight, out of mind" is the creed of those who believe that moving images are a trigger to violent crime. But a disturbed mind will find the stimuli it wants to find, if necessary from material that can seem bafflingly innocuous to others. And the "disarmament" that is censorship can remove the insights as well as incitements offered by violent art and entertainment: leaving society's true defenders, not just society's aggressors, less well-equipped to act and think in response to the signals offered by a troubled time.



'Composition au Violin' by Juan Gris, which sold for £463,600 at Sotheby's.

Saleroom/Antony Thorncroft

Bidders are back

This was the week when London became, temporarily, the market place for the most expensive pictures in the world, the week when Sotheby's and Christie's offered high quality Impressionist, Modern and Contemporary art.

No one can pretend that the capital was awash with masterpieces. Few sellers are prepared to willingly consign their paintings to the auction rooms while the global recession still exercises some grip, and there are few desperate buyers. But at least the sales did not destroy the precarious confidence created by the previous major auctions in the summer in New York, when slightly better pictures were on offer. Who knows, by next summer a really important painting, or two, might be risked on the open market.

Charles Allsopp, who took the major Christie's sale on Monday night, reckoned it the best he had handled in this sector since the halcyon days of 1989. "There were often plenty of bidders in the room and the dealers were back".

The most important lot, a portrait by the mysterious French post-Impressionist Henri Rousseau of the dealer Joseph Brummer sold for £2.97m. Few works by Rousseau, known as Le Douanier because he spent most of his life working as a customs officer before taking up art, arrive on the market, and this was a rather serious subject, unlike his primitive jungle scenes. It would not have sold in a depressed market.

In all the 54 lots raised £14.3m, and were 84 per cent sold by value. Christie's had judged the market to perfection and the next most important lots, works by Klee, Kandinsky, and Chagall, each sold for over £800,000, at the lower end of their estimates. However buyers are still choosy and 15 lots were unsold.

Sotheby's fared slightly less well, bringing in £11.6m for 74 lots at its big Tuesday night auction. However, auctioneer Melanie Clore drew satisfaction from *the fact that it was* 78 per cent sold by value, as against 60 per cent at the comparable sale of 1992. A Renoir landscape made £881,500, at the bottom of its estimate, but the top picture, a Kandinsky, failed to sell. Buyers were mainly private collectors, many of them fresh faces, and, not surprisingly, they favoured accessible paintings.

Dealers are offering modestly priced works and selling them more imaginatively

Oddly enough there was more interest in the sales of contemporary art. What has been an unpredictable and nervous market suddenly seems to have caught alight – perhaps late 19th and early 20th century art seems old hat. Sotheby's was very happy with its principal auction which brought in £3.8m, and was 87 per cent sold by value. A Gerhard Richter free abstract *blasted its estimate, selling for* £397,500 while a double self portrait by Francis Bacon was on target at £353,500. Christie's matched this with £3.7m, 92 *per cent sold, and £518,500* paid for a planed down, brown, 1949 work by Dubuffet.

London needs to attract better works in this post-1870 sector if its position as a plausible competitor to New York does not slip beyond recall. The imminent imposition of VAT on imported antiques from outside the EC, even at a minimal 2 per cent, will persuade many vendors to go for the glitz of a Manhattan sale.

Meanwhile the picture dealers are concentrating on making sales by offering modestly priced works and selling them more imaginatively. Last weekend the 17 galleries which cluster together in London's Cork Street remained open all Saturday and Sunday. The event attracted a few thousand browsers and some dealers recorded more business than in a normal month.

David Messum, at The Gallery, sold 15 paintings, five priced around £2,500; Waddington Galleries disposed of six works, mostly on paper, and ranging in price from £500 to £70,000 (for a Matisse, sold to a foreign dealer) and including art by Michael Craig-Martin and William Turnbull; Browse & Darby despatched five paintings, including a still life by Leonard McComb to a buyer new to the gallery; and the Redfern notched up 13 sales, of which three were landscapes by Sarah Armstrong Jones.

The Heritage Minister, Peter Brooke, with his ingrained gentility, managed to keep his temper when quizzed about his department's Budget allocation this week. He could, with some justification, claim a small victory. His expenditure next year will be £21m higher than in 1993-94, at £955m. OK, so £7m *of that is statistical jiggery-pokery* provoked by that insatiable cuckoo in his nest, the British Library, now due to open in 1996, but even so he fared better than many forecasts.

Off the Wall / Antony Thorncroft

A black day for the arts

Unfortunately the big loser, in fact the only obvious casualty, was the Arts Council, provider to the vociferous performing arts lobby. Despite the fact that the Council did better than anticipated – a 1.7 *per cent reduction* in grant instead of the 2 per cent pencilled in a year ago, all hell let loose.

Lord Palumbo, chairman of the Council, declared it "a black day for the arts and a national disgrace". Richard Eyre, director of the Royal National Theatre, called the cut "pointless and mean spirited." And these were some of the more positive reactions.

It does seem odd that the Arts Council, notwithstanding the generous grants it received in the early 1990s, should be singled out for misery. For *the Minister must know the broader* background. The bad news for the arts in the Budget was not in his grant but the fact that local authorities, an equally important revenue source, are *suffering £750m cutbacks in government aid*, and that the middle classes were being financially walloped with tax increases. Already in 1993 box office takings have started to fall dramatically; 1994 could be a very bad year indeed for the arts.

As a microcosm of the crisis facing arts companies you might look at Manchester. In 1994 it is City of Drama, but one theatre, the Forum, is already dark, and another, the Library, has been warned that Manchester City Council is likely to withdraw funding, not because of doubts about its quality but because it is a choice of saving a theatre or an old folk's home.

Even Manchester's Royal Exchange Theatre, one of the main initiators of new plays in the UK, is contemplating *a season of commercially safe, small* cast, productions. It will persist with a new, ambitious production of *The Count of Monte Cristo*, but around it there will be more pot boilers than the city anticipated when it won the opportunity to be the national face of British drama. The arts does protest too much, but really a couple of million more for the Arts Council would help to cheer the nation up during what looks like a rather depressing patch.

★

Can you imagine London without a permanent professional opera company? Well, it could happen. Both the Royal Opera House, Covent Garden, and the English National Opera at the Coliseum are planning to close for renovation. Both expect to be open to welcome in the new Millennium, and unless there is careful planning soon their closures could overlap.

Covent Garden, with its ambitious office and shop development, will be *out of action for around two years. So* it needs to close in 1997. It still has to raise £150m for the venture but has promises of around £50m from its rich friends, Mrs Vivien Duffield, and Lords Sainsbury and Rothschild. It hopes that Lottery money and the general public will provide the remainder.

The ENO has been quieter about its plans but unless around £25m is raised soon its early 20th century building could decline into squalor. It is sounding out its supporters before launching its public appeal, probably in 1995. It, too, would anticipate Lottery aid. It needs the money for such unglamorous but essential improvements as better air conditioning and more ladies' loos.

It is hoped that the two opera companies, and perhaps the Royal Ballet, will temporarily move into the Theatre Royal, Drury Lane, during the repairs.

★

Yesterday Mr Justice Hoffmann gave the Arts Council's music panel his decision on the future public funding of three of London's symphony orchestras. He is believed to have recommended that only one should be supported. And there are rumours that he could have come down in favour of the Philharmonia.

However, all is still to play for. *The full Arts Council could decide at its December meeting to support a package, assigning the LPO to a more independently funded South Bank; making* the Philharmonia the new super *orchestra; and bribing the RPO to* become a Nottingham based orchestra serving the East Midlands. This one will run and run and run.

Radio / B.A. Young

Race relations

The World Service is presenting a series, *Free at Last*, on the current state there of colour-consciousness. It has a certain sentimental aura that is not always helpful; but with racial prejudice breaking out here it must be good to hear how it has been dealt with in its more extreme shape.

The first programme, last night, began with gospel singing and the voice of Martin Luther King, but mostly took a historical tone. Emancipation in 1861 did not mean instant equality between citizens and former slaves. Colour segregation persisted even beyond the second world war. A black girl in the wrong bus seat might provoke an anti-black demonstration. All segregation was outlawed in 1963 under Kennedy's Civil Rights Bill, and voting was taken in hand the following year. But this was also the year of the Watts riots in Los Angeles, and riots have continued sporadically to the present time.

The second programme (Friday) looks at the city of Philadelphia, an example of peaceful segregation. The city is divided by the rail track: on one side live the whites in relative prosperity, on the other, the blacks in comparative poverty. Yet there are black and white children side by side at school, and sports teams may be divided half-and-half with no trouble. A local paper, with a black editor, is notably fair. The next programme shows how the situation can deteriorate in adverse circumstances.

Radio 4 is running a serial on Wednesday afternoons, *The Crack*, four Liverpudlian writers to four instalments. Lightweight tales, the interest lies in the characters. In the first (*Friday*) barmy old Albert finds a corpse lying on a gravestone, but after tea at a nunnery with Edith from the old people's home, he cares more that Dawn, a tart, should be baptised; he cares so much for baptism that he jumps into the river to simulate the ceremony for himself, but Edith drags him out.

People, more than plot, connect instalments. Next week (*Saturday*), Carol, a hairdresser in her late thirties, wonders why Joe, a former priest, should have been de-frocked. She also wants to tell her boyfriend she is pregnant, but his phone is always on the answering-machine. She is specially anxious because he has been seen with another girl. There is talk with Dawn about the gravestone body. Mustn't tell you the end, though. I have heard the next two, with modest excitement. Director Kate Rowland tells of "the anarchy of the ordinary", and that is what *The Crack* offers.

Not so ordinary was the Monday Play, *Sweet William* by Peter Thomson, about discovering Shakespeare's original scripts; but the story was so anarchic that the excitements lacked edge. William (Kim Wall), bastard son of Samuel Ireland, a credulous Shakespeare-fan seeking new items for his collection, is in his father's mould, but more inventive. On a Stratford visit, Samuel buys some curious items very cheaply (the date is 1796) but is not offered the papers from New Place, now at Compton House. William, however, secures some from his friend Mr H, who also claims to have more, including a play, *King Arthur*, in manuscript. William has been reading about Chatterton, the boy poet-suicide, and when the missing papers are publicised, he claims to have written them himself. Others are involved in the detections and deceptions, but they are barely characters at all. Nigel Bryant directed.

A taste of Givenchy

Tonight in the Metropole Palace Hotel, Monte Carlo Christie's is selling furniture, silver and art works belonging to fashion designer Hubert de Givenchy, one of France's great collectors.

Both to prepare for retirement in two years' time and cater for his aged labrador which finds the stairs too much, the 66-year-old couturier recently sold his town house and is now auctioning its contents, which are estimated at FFr200m.

Even this fraction of Givenchy's possessions represents the sort of sale seen once in a generation – 95 lots collected over a period of some 30 years with exquisite taste from galleries and salerooms all over the world.

Everything was flown out to Christie's Park Avenue showroom in New York in October and also exhibited in the sumptuous Mona Bismarck Foundation in Paris – Charles Cator of Christie's said he had never seen so many big collectors turn up at viewings.

Most of the items are supremely elegant, Louis XV pieces. They include a pair of gilt-bronze, three light "girandoles" estimated FFr3-5m – candlesticks supported on dragons, their tails sculpted to writhe down the sides of a fireplace – a pair of exceptional large porphyry vases (est. FFr2.5-3m) and a Regence gilt-bronze mirror attributed to Charles Cressent (est. FFr4-5m).

Well before it became so fashionable Givenchy collected furniture by the Parisian cabinet-maker Andre-Charles Boulle, famous for his elaborate inlays of brass and tortoiseshell. Tonight's sale includes a pair of Louis XIV medallers by Boulle estimated FFr6-800,000, similar to a pair owned by the Bibliotheque Nationale.

The last lot, the Hanover Chandelier, has a catalogue all to itself. Designed by Yorkshire architect William Kent and one of five commissioned from Hanover silversmith Balthasar Behrens in 1736-1737 by George II, it once hung in Windsor Castle, weighs 52 kilos and is estimated at FFr18-22m.

Nicholas Powell

BOOKS

Travels with Fane, Wharton and Woolf

***Anthony Curtis** reviews books which would make good presents*

During the autumn when Bookermania is at fever-pitch some novels written on traditional lines tend to get passed over simply because they appear to be non-starters for the prize. Julian Fane's Eleanor (Constable, £14.99, 246 pages) which appeared in September is an example. It is the story of a girl born the wrong side of the blanket in 1906 to a woman in society who confines her to a foster home in South London. The two "Auntys" who run it serve as working-class substitutes for the real mother whose visits to her natural daughter are as infrequent as they are fraught with tension and incomprehension. Her foster-mothers may tend to spoil Eleanor, but they also encourage her to develop her gift for piano-playing. This talent, combined with her striking beauty, gives her the entry into London society where she acquires a following of rich, doting admirers.

Fane's novels have won plaudits from the likes of Lord David Cecil, Harold Nicolson, John Betjeman. In private life he is the Hon. Julian Fane, son of the 14th Earl of Westmorland and Hugo Vickers has identified Eleanor as being a portrait taken from life with the late Joan Drogheda contributing to the inspiration behind it, with Violet and Sidney Schiff (the writer Stephen Hudson) as among others drawn from life. Be that as it may – as one of Eleanor's counsellors might put it – this is a novel that imposes its own imaginative world upon the reader. It shuttles between the under- and the over-privileged, the sexually naive and the predatory. It contrasts the dedication required to succeed as an artist and the evanescent fame of the fashionable drawing-room. If you are looking for something to give a mother-in-law who is an incurable novel-addict, your problem may well be solved by Fane's book.

It would, surely, have appealed to that chronicler of the American upper ten, Edith Wharton. Thanks to a film, due to be released over here in January, of her novel *The Age of Innocence* directed by Martin Scorsese with Daniel Day-Lewis, several of Wharton's novels of old New York society are currently being reissued in paperback. The final novel, left unfinished at her death, The Buccaneers, has just been published in a version completed by the American Whartonian, Marion Mainwaring (Fourth Estate (£14.99, 408 pages). Its heroines are denied entry into exclusive New York society because their fathers' money is too new. They come to London where they find plenty of well-born hostesses and suitors prepared to waive that impediment and welcome them in. The book is an example of high comic art.

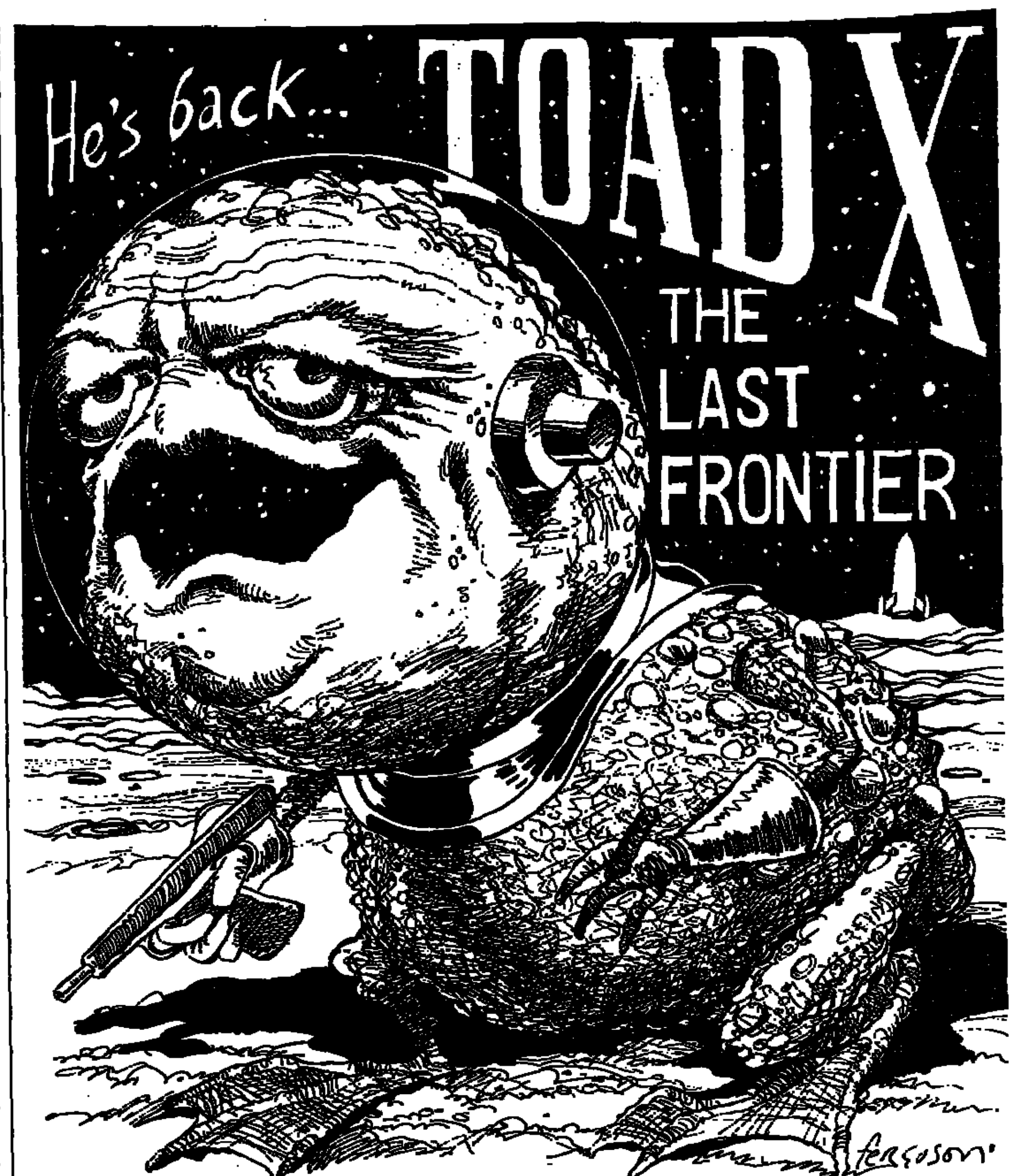
Another book that is having a renaissance because of the "cross-over" from an art-movie is Virginia Woolf's Orlando, a private joke that has blossomed into a money-spinner. The latest edition is in the attractive pocketable Bloomsbury Classics series, appropriately enough, at £9.95. In Orlando Virginia Woolf ranged across the centuries while in her own life we think of her as belonging to a world circumscribed by central London and Sussex.

Jan Morris's ingenious contribution to the Woolf saga Travels with Virginia Woolf (The Hogarth Press £17.99, 245 pages) is a corrective to that view of her environment. Woolf went three times to Venice, for instance, one of them in 1912 on her honeymoon. "There never was such an amusing and beautiful place", she said. Morris has strung together her reactions to France, Germany, Italy, the Netherlands, Spain, Turkey and Greece along with her journeys throughout the British Isles.

When she was in France she stayed with Vanessa and Clive Bell at Cassis. "Ever since Cassis" she tells Vanessa "I have thought of you as a bowl of golden water which brims but never overflows". But how did Vanessa think of sister Virginia? With the publication of Selected Letters of Vanessa Bell (Bloomsbury £25.00, 593 pages) edited by Regina Marler we can find the answer to that question and other outstanding ones. Here is a judicious selection of 600 letters out of 3,000; and none of them has appeared in print before.

The last member of that circle to survive today is Frances Partridge, who in her nineties is enjoying great success with the publication of her diaries chronicling the fortunes of remnant members of the group in the 1960s. The period was a shattering one for her as it saw the deaths of both her husband Ralph and their son Burgo who had married Henrietta, daughter of David and Angelica Garnett.

An earlier volume, *Hanging On*, covered the beginning of the decade; the new one Other People (Harper Collins £18, 297 pages) continues with the years 1963-66 when the author found the best antidote to grief was to involve herself whole-heartedly in the lives of her friends. As a diarist she is not in the Woolf class, but the book chronicles a most civilised way of life with penetrating comments on the personalities of her wide circle of friends.



Fiction

War with the Cazalets

Confusion is the third volume of a planned quartet of novels chronicling the lives of an upper-middle class English family in the decade after 1937, covering, in fact, the last days of such an idyllically privileged caste.

Anyone unfamiliar with plucky Polly Cazalet; her unawakened but newly wed cousin Louise; her Sapphic angel of an aunt Rachel; and all the peripheral Nevilles, Angelas, and Wills who make up the cosily networked family, plus the assorted retainers, would find it hard, and probably unrewarding, to catch up with the clan at this late stage. For the hundreds of thousands who have made the saga such a great publishing event no criticism would deter their appetite for more.

The Cazalets are not having an exciting War. It is Elizabeth Jane Howard's great achievement to stress the mundane, petty, tribulations of the early 1940s with meticulous accuracy. Much space is given over to food – meals of corned beef hash and sausage meat rissole; to shopping expeditions for bust bodices at long lost department stores like Pontings and Gaylor and Pope; to tedious train journeys. There are impressively few deaths – matched by births and re-births.

CONFUSION
by Elizabeth Jane Howard
Macmillan £14.99, 416 pages

It is the limitations of war time, plus the natural restraints on young girls of this class (no university for them), which makes *Confusion* a more pedestrian read than its predecessors. It is still excellent historical literature but Polly and cousin Cary, obviously Ms Howard's favourite Cazalets, seem stuck in an intellectual and social gridlock.

There are signs that the writer is happier with children and emerging teenagers – the verbally direct young Neville is the star turn here – rather than with maturing adolescents. Polly and Cary's arrival in London is as dull for us as it is for them, although Ms Howard gives them an agreeably mysterious male protector in the middle aged Archie Lestrange: what are his intentions? does he have any?

This is probably what the War was like for most people – a time of waiting, of tedium, of coping. It is the vignettes that come across most powerfully. Villy Cazalet makes the painful discovery at a misjudged dinner that men want more than romance, while sister-in-law Zoe, returning from a desperate visit to her mother, reveals a ready acceptance of the fact. She is picked up on the train by an American officer, and it is American officers who credibly provide most of the glamour and excitement in the novel.

I look forward to the conclusion of the chronicle even though I am as bored with some of the characters, especially the spoilt Angela and the long suffering Hugh, as I expect Ms Howard to be. Sometimes she seems to be writing on auto cue: the most minor character suddenly dies; the love lives of the two heroines are given a predictably mechanical twist.

It is as painless as over-hearing a long gossip about vague acquaintances, pleasantly detached from reality and hardly disturbing. But the book ends as the war ends and the action steps up apace. Passions are stirred; boats come in. When the Cazalet Chronicle reaches the television screen, its inevitable transformation, *Confusion* will hardly merit an episode as we approach the long anticipated resolution.

Antony Thorncroft

Tales of love and betrayal

These two novels seem to have nothing in common but the Irishness of their authors. Higgins writes in dense prose, "poetic" in the sense that its meaning lies in the drama of the words. Daring to a point that sometimes only just stops short of nonsense, he spins places, characters, events, further and further out of our grasp and then, like the master craftsman he is, whisks them back in front of us again. Delaney uses words to tell a well-worked story, the life arising from the people he has created, not in the describing of them. Higgins words will not lie still on the page, they dazzle and confound. Delaney writes in a near documentary style; his words know they are tools.

Yet there is an unforced link between the novels. Delaney has chosen as heroine a young woman living in Belfast during the second world war who has a particular gift with words. It is Belle who "tells the pictures", entertaining her mill worker colleagues as she acts out the latest film showing at the Ritz. Belle is famous for this and this fame defines her whole character so that real life hardly impinges on her. For her, the film world is her chosen world and she preserves an innocence and beauty at odds with the raw society in which she has grown up. It takes the kiss of a handsome prince to wake her from her dream. But, since he is a Catholic, from the Republic and she is a Protestant whose father was killed by the IRA, her awakening brings tragedy rather than happiness.

Now Delaney is revealed to have a serious purpose, to be intent on revealing corruption in high places, showing the cruelty of sectarian loyalties, the bitter unfairness of Ulsterman towards Catholic. It is a black picture, turning a book that seems set to be a romance into a thriller. Delaney may not impress with stylistic fireworks, but he certainly knows how to use bleak material to shocking and (perhaps shocking to say) entertaining effect.

Separating content and style is not a very productive exercise with Higgins. His story is slight. Professor Weaver, his wife Nancy and son, Nico, are living in Berlin, kindly paid for, although not enough for the Weaver's excesses, by DILDO, a mysterious organisation. Weaver is captivated by Lore, a gloriously exciting young German girl. Nancy finds out and abandons home in an attempt to bring her errant husband to his senses. But Weaver cannot decide between his women. On a visit to Ireland, he goes to a fortune teller who tells him he loves neither woman and, since he is not very good at loving, it is just as well he does love his son. Weaver returns to Munich and Lore.

LIONS OF GRUNEWALD
by Aidan Higgins
Secker & Warburg £8.99, 302 pages

TELLING THE PICTURES
by Frank Delaney
HarperCollins £14.99, 414 pages

Around this tale of love and betrayal, Higgins weaves a cast of extraordinary characters who dance puppet-like through the pages, although their habits tend to be very flesh and blood. Higgins often gets a laugh out of the physical: "Bog was staring raptly rudely at the slowly descending stiffly corseted determined no-longer-young rump that was slowly heavily yearningly descending..." Starting from a well-observed image, he rockets into the stratosphere, leaving trails of hilarity. Less amusing are little Nico's onomatopoeic stories or the pages when a heavy Irish mist seems to shroud any meaning. If you do not appreciate a chapter that opens as follows, then Higgins is not for you: "'Everything is something trembling on the verge of something else,' quoth Vlad the Impaler, lepidopterist extraordinaire, with his customary pernickety prescience and acumen. Illusion, froggy transilience, as the very stuff of happiness." I enjoyed *Lions of the Grünewald* – in breath-holding gulps with sorties out of it for air.

Rachel Billington

Publishers try to win in the Willows

***Jackie Wullschlager** on the craze for the sequel*

Did Elizabeth Bennett and Mr Darcy live happily ever after? Did Toad of Toad Hall really reform? Of course you want to know. Characters from great and much loved novels remain so vividly in our imagination that we long for them to have a future beyond the last page, outside the artistic construct in which they were created. Hence the craze for the sequel – first *Scarlett*, after *Gone With The Wind*, then *Mrs de Winter*, after *Rebecca*, and now follow-ups to *The Wind in the Willows* and *Pride and Prejudice*. To publishers, it is gold dust – *Pemberley*, published this month, has already been reprinted.

The hitch this time is that the better the original book, the less likely it is that a sequel will convince. *Pride and Prejudice* and *The Wind in the Willows* are harder acts to follow than *Rebecca*. They do not, as *Rebecca* does, leave loose ends and ambiguity as a helpful push for sequel writers. They have a tight form and an artistic cohesion which is not easily intruded upon. Their pleasures are rooted in fine and distinctive language, which it is impossible to imitate. Emma Tennant fails to understand this, and her pastiche of Jane Austen's style, form and wit in *Pemberley* is a disaster. William Horwood does see it, and *The Willows in Winter* is less ambitious. A light-hearted updating of Kenneth Grahame's Edwardian classic, it is a funny, clever book shot through with the delight of recognition.

Horwood's skill is to close the gap between us and Grahame without losing the playful Arcadian vision which suffuses *The Wind in the Willows*. He is slavishly respectful to the river setting and to the animal quartet – loyal Mole, dreamy Rat, wise Badger, bad Toad – but he invents a run of adventures more pacy and dangerous than any Grahame would have dreamt up.

Toad graduates from motor cars to aeroplanes, predictably favouring the crash landing, which is the centrepiece of the book. Rat still dreams of the wide world beyond, but he does so while slapping about in a parachute. Mole dives underground, this time through the ice on a bad river outing. Horwood attributes gravitas and grey whiskers to the animals, and sets them against a new generation – Mole's Nephew, and the baby otter Portly, now a louche teenager. But they have become not Edwardian gentlemen but reckless 1990s adolescents.

THE WILLOWS IN WINTER
by William Horwood
HarperCollins £12.99, 296 pages

PEMBERLEY
by Emma Tennant
Hodder & Stoughton £9.99, 184 pages

Grahame's 1908 novel is a mix of slapdash grotesque, in Toad's story, and spiritual longings – the ache for childhood and home; nostalgia for the changing countryside. The idea of home survives here, in the plot of animals lost and found; otherwise Horwood concentrates on comedy. He neatly reverses some famous images – Toad is disguised as a chimney sweep instead of a washerwoman – and introduces a bold colloquial idiom ("Toad's probably gassing away", "Rat had put two and two together").

Never for a moment does this book resemble Grahame's masterpiece, the pastoral dream, the sense of hope and loss, the emblematic characters. "The child who has once met Mr Badger has got ever afterwards, in its bones, a knowledge of humanity and English history," wrote C.S. Lewis. Horwood does not try to equal this; he merely capitalises on it. Self-publicity seems to drive him – a final page invites inquiries about him to "Department Willows", c/o his publishers – but his book is affable and entertaining.

Pemberley on the other hand is an attempt at copycat creativity: Ms Tennant writes her own novel using Austen's characters. The Darcys and the Bennetts, now intermarried, gather for a first Christmas at Pemberley, and fall out spectacularly. Jane Bingley goes into premature labour, her sister Elizabeth cannot conceive. An illegitimate child in the village may be Darcy's, but he is too proud and Elizabeth's too prejudiced to discuss it. Jane nearly dies, Lizzy runs away and decides to become a governess. Janeite serenity is restored, several banquets and many stilted 18th-century conversations later: "Do we go into your bedchamber, or do we go to separate quarters? The decision is yours, my dear Elizabeth"...

This is Elizabeth Bennett and Mr Darcy transported to Georgette Heyer-style historical romance. It is thin, shallow, lifeless. Austen's sparky Elizabeth withers into a disappointed Georgian wife. Darcy is stiff, icy and preposterous as a snowman.

The wintry setting and Christmas ambience suggests that *Pemberley*, like *The Willows in Winter*, was published with an eye to the festive market. There is an excellent tradition of one writer transforming elements of another's work into something new and exciting – as in *Rosencrantz and Guildenstern are Dead*, *Lady Macbeth of Mtensk*, Jean Rhys's *Wide Sargasso Sea*, which tells the story of Jane Eyre from the mad wife angle. It does not include rewriting the classic as seasonal slush.

General Gordon – a very rum cove

***J.D.F. Jones** on the imperial progress of this evangelical soldier hero*

General Gordon was one of our great imperial heroes but he was also a very rum cove – come to think of it, like so many of them. He was "inspired and mad", said Gladstone; the procrastination of Gladstone's government was of course responsible for Gordon's death in Khartoum in 1885, two days before the relief party arrived up the Nile.

It can be agreed that Gordon was "very eccentric to the point of making one doubt his absolute sanity", according to another, more sympathetic acquaintance; he reviewed his troops in a frock coat; he fined officers a shilling if they called him "Sir"; at Khartoum he sat every night in a brightly-lit window in defiance of the Mahdi's snipers; he led his men into battle carrying only a cane and a cheroot (but surely that was not so unusual? – Cardigan is supposed to have headed the charge of the Light Brigade holding a cigar, and it has been argued that the unarmed British officers who took their companies "over the top" were somehow disassociating themselves from the vulgar business of slaughter).

No, the central eccentricity in Gordon's life was that he was an extreme specimen of an evangelical Christian whose faith, acquired at 21, gave him a disregard for death and a total reliance on divine destiny; sometimes it appears in his letters a deathwish. His friend Field-Marshal Lord Wolseley later wrote, "Life was to him but a Pilgrim's Progress between the years of early manhood and the Heaven he now dwells in, the Home he always longed for". In the meantime, Gordon was not just a brave and efficient man of war, he was also close to being a soldier of fortune – the word "mercenary" is wrong because he was not remotely interested in money and he was always under the War Office – who successively commanded in battle Chinese, Egyptian and African, but never British, troops, and yet he became a British military hero. It is a good illustration of the workings of the Pax Britannica.

There have recently been a number of intelligent books about the Empire which focus in particular on the sexual ambiguity of these imperial servants. Gordon always figures prominently. Ronald Hyam, for instance, in *Empire and Sexuality*, has a list of what he calls "a-sexual" high-achievers including Gordon, Kitchener, Jowett, Twining, Rhodes, Milner, Baden-Powell, Lugard, Curzon, Churchill, Montgomery, Macmillan, etc. Evidently these men were not all suppressed homosexuals, but the implication is that they were formed so as to be able to devote their principal energies to their public role. Some of them must have been suppressing something. Gordon's particular affection, which he never concealed, was for young boys, whose welfare and moral development were his deepest concern throughout his life.

John Pollock, in this new biography *Gordon: the Man behind the Legend*, does not belong to this generation tempted by psychoanalytic theory, and is more concerned to put down the recurrent story that Gordon was a secret drinker. There have been plenty of biographies of Gordon over the years, many of them hagiographical (the recent ones by ex-politician Anthony Nutting and Charles Chevenix-Trench are not) and Pollock's justification for yet another is that he has been able to draw heavily on the millions of words in Gordon's family letters in order to rescue "the real Gordon".

It was Lytton Strachey, in his wonderfully mischievous *Eminent Victorians* in 1918, who first raised the scandalous suggestion that the general, apart from lashing out in un-Christian temper at his servants, would sometimes seal himself in his tent with "an open Bible and an open bottle of brandy". Pollock convincingly argues against the liquor at the price of conceding that Gordon was a dangerous *smoker* ("...smoking knocked off, never, DV, to be resumed, as yet it has not been my greatest trial. I can say that, as far as the flesh, I do not care for anything...") He never managed to give it up.

GORDON: THE MAN BEHIND THE LEGEND
by John Pollock
Constable £19.95, 373 pages

This is a respectful, cautious biography, untouched by Strachey's elegant intelligence, but there is a good tale to tell, deliberately uncluttered by too much analysis or interpretation. Gordon was a Sapper who, after the Crimea, found himself in China in 1861 putting down the pseudo-Christian Taiping rebellion as commander of the foreign-officered "Ever Victorious Army". The legend of "Chinese" Gordon was quickly established. Then came years of fortification construction and devout social work in Gravesend – "Something broke in my heart, a palpable feeling and I knew God lived in me" – and, in 1874, the Governor-Generalship of Equatoria Province and then of the Sudan itself, absolute monarch of a country the size of Western Europe, answerable only to the Khedive in Cairo. He was 44.

Then Abyssinia (a set-back), a mistaken appointment to India, China again, a sabbatical in Ireland, and Mauritius and the Seychelles where the Bible-reading soldier discovered the *Coco de mer* and decided he had come to the Garden of Eden. The celibate Gordon's obsession with a nut shaped unmistakeably like a vulva is, to say the least, curious. After Basutoland (another mistake) and the Holy Land he almost went to work for King Leopold in the Congo, but at the last moment was diverted by Gladstone's reluctant government to Khartoum where his mission, hopelessly underformulated by Cabinet, was to secure the retreat of Egyptian rule in favour of Sudanese independence. In essence, Gordon was expected to produce an impossible miracle.

The rest of the story is familiar, though we shall never know the true detail of Gordon's death exactly a year after he arrived in the palace overloooking the Nile. Curiously, Pollock is at his weakest in this his most dramatic episode (compare him with Thomas Pakenham's splendid *The Scramble for Africa*). We could also have done with a posthumous chapter explaining what happened next – but the slightness of historical context is the main weakness of this readable study which is strongest in the attention it pays to Gordon's religion, his theology described by the expert Pollock as "an unintegrated mixture brewed from early Christian fathers, Gnostics, medieval and 17th century mystics, Evangelicals and Tractarians" In view of all the other books, perhaps the priority is right.

One footnote: on the final voyage to Khartoum, Gordon annotated a copy of Newman's *The Dream of Gerontius*; that volume was sent to England and eventually re-published complete with the general's pencil markings; Edward Elgar was given a copy: and that inspired the Oratorio!

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ARTS

Louvre spreads its wings

***Alice Rawthorn** looks at the power and politics behind the new Richelieu wing, one of President Mitterrand's Grand Projets*

Winter descended on in Paris this week. An icy chill fell over the city. Snow fell only to melt into ugly slush. Yet day after day hundreds of people queued patiently, and not so patiently, in the freezing courtyard of the Louvre Museum to see the sumptuous new Richelieu wing.

The new wing is the old home of the French finance ministry that has been reclaimed by the Louvre, or the Grand Louvre, as it is now called, to house some of its finest collections: from the splendid *salons* of Napoleon III and the 7th century BC Assyrian Palace of King Sargon II to the exquisite paintings by Rubens that depict the life of the Marie de Médicis.

The Louvre collections have long been regarded as the richest in the world, thanks to the relish with which the 1789 revolutionaries ransacked the French royal family's possessions and the efficiency with which Napoleon I's soldiers executed his order to plunder everything that glistened on their military expeditions. The opening of the Richelieu wing finally furnishes the museum's treasures with a fitting home.

But the triumph of the opening masks a bitter political battle between President François Mitterrand, who commissioned the Grand Louvre construction scheme as part of the *Grands Projets* that he initiated under the 1980s socialist governments, and the current conservative government, which favours a very different approach to architecture.

The conservatives were out in force for the opening ceremony. Edouard Balladur, the prime minister, was there; as was Jacques Chirac, the wily mayor of Paris who is still (barring a last minute challenge by Balladur) the right's likeliest presidential contender, accompanied by his old ally, the current arts minister, Jacques Toubon. But their forced smiles did nothing to disguise the fact that the stars of the ceremony were President Mitterrand and the former socialist arts minister, Jack Lang.

The *Grands Projets* are François Mitterrand's most visible legacy to France. The Grand Louvre scheme, conceived by I.M. Pei, the Chinese-American architect, is the biggest and boldest of all the *projets*. By the time it is completed in 1997 the work on the Louvre will have taken ten years and cost $1bn.

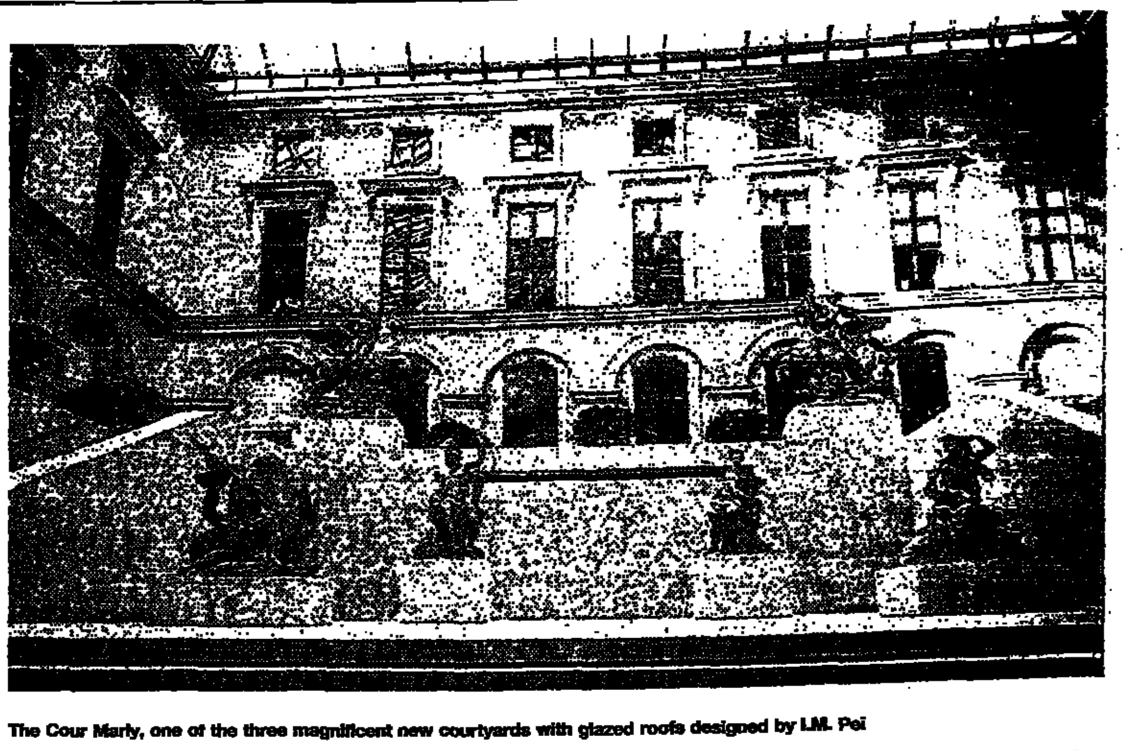
The Richelieu wing has enabled the museum to add 21,500 square metres of extra exhibition space and to show 12,000 works, a quarter of which were previously in storage including the Renaissance tapestries (too big to be squeezed into the old galleries) and an Islamic collection that has not been seen by the public for 50 years. By comparison, the National Gallery in London crams 2,200 works into 10,334 square metres.

The style of the new Louvre bears the unmistakable stamp of François Mitterrand. The *leitmotif* of his architectural policy has been the marriage of the monumental and the modern that Pei evoked in the first phase of the Grand Louvre scheme: the uncompromisingly contemporary glass pyramid that he plonked in the centre of the grand, old Cour Carrousel.

Pei has adopted the same strategy of blending the old with the new in the Richelieu wing, but the effect is far subtler. At the centre of the new wing are three magnificent courtyards with glazed roofs. The Cour Marly and Cour Puget contain the sculpture that once graced the royal gardens. The Cour Khorsabad is dominated by a pair of gigantic winged bulls from ancient Assyria. Any contemporary features, such as the giant circle that Pei has carved out of the Cour Puget wall, are so elegant and economical that they blend perfectly with the original interior.

So far the Richelieu wing has been a roaring success. The number of weekly visitors to the Louvre has doubled to 230,000 since the opening. The new galleries not only cement the Louvre's reputation as the doyenne of the world's great museums, but strengthens Paris's claim to be *the* cultural capital of Europe.

This is, of course, exactly what President Mitterrand intended when he initiated the *Grands Projets*. But it also poses a dilemma for the Balladur government given that such a prominent part of French cultural policy is indelibly linked to the socialist president.



The Cour Marly, one of the three magnificent new courtyards with glazed roofs designed by I.M. Pei

Funny lines that lead nowhere

***Karen Fricker** reviews Neil Simon's latest play to open on Broadway*

Martha Swope

Scene from 'Laughter on the 23rd Floor' at the Richard Rodgers Theatre

Laughter on the 23rd Floor marks Neil Simon's return to the safer ground of autobiographical comedy after his recent attempts at the adult relationship play (*Jake's Women*) and the musical (*The Goodbye Girl*). *Laughter*, which opened this month (November) at the Richard Rodgers Theatre, picks up Simon's life story where the final installment of his successful *Brighton Beach Memoirs* trilogy left off.

Young Simon – here named Lucas and played by the fresh-faced Stephen Mailer – lands his first big writing job on a live television comedy programme which bears a strong resemblance to Sid Caesar's *Your Show of Shows*, for which Simon indeed wrote in the early 1950s.

This seems material ripe for the genre of writing at which Simon excels – tidy, nostalgic plays laced through with Jewish humour – and Simon has certainly written a constant stream of funny lines in *Laughter*, which keep the audience chuckling, often howling. He just has not constructed much of a play to hold the jokes up. *Laughter*'s comic pleasures turn out to be of the fleeting kind: jokes fade from memory as soon as their launched, and the plot is stretched so thin it is barely there.

The play takes place in a dingy conference room in a Manhattan office building in 1953. The characters, many based on the real-life comedy titans on Caesar's writing team – Mel Brooks, Carl Reiner, Larry Gelbart – come off as a bag of overblown, but funny, stereotypes: the high-strung Russian head writer; the laconic, chain-smoking Irish-American; the token woman; and the perennially late, arrogant Jewish hypochondriac, among others.

Towering over them all in character, but dwarfed by many in actual stature, is the Caesar doppelgänger, Max Prince, whom Nathan Lane brings to marvellously overblown life. Some of the play's richest humour is mined from the matter-of-fact exposition of Max's eccentricities: that he sends out his suit to be cleaned during the working day and conducts business in trenchcoat, shirtsleeves and boxer shorts is all the funnier because no one on stage finds it remarkable.

The play is built on the humour of repetition rather than its more complex and interesting cousin, the humour of accrual. In the first act, the characters straggle in to work, exchange a few-one liners, grab a bagel and coffee, and bicker, bicker, bicker . . . and in the second act they do exactly the same thing. There are a few wisps of a story, mostly based around the programme's dodgy relationship to the network, and substantial issues hinted at – particularly the parallels this very Jewish writing staff draws between McCarthyism and the Holocaust – but all end up providing flavour rather than any backbone to the play.

So what is the point of all this? We are given our answer, thumpingly, midway through the second act when the programme is under threat and one character tells Max: "we don't quit because maybe we'll never have this much fun in our lives." So now we know that this is a "best years of our lives" play; but we should have known that much sooner. *Laughter* traffics in nostalgia, relying on the audience's knowledge of and fondness for the subject matter rather than on effective plotting or characterisation.

This not particularly well-done play is given a top-notch production. Director Jerry Zaks (*Guys and Dolls*, *Six Degrees of Separation*) keeps the pace at just the right pitch of controlled hysteria. Standing out among the performers, along with Lane, are J.K. Simmons as the bloodhound-faced Irishman, Brian, and Ron Orbach as the loathsome hypochondriac, Ira. Tony Walton's set is appropriately grotty – smudged windows, vinyl sofas, and all; Tharon Musser's lighting casts a fluorescent glow that is just sickly enough; and William Ivey Long's costumes capture both the period and the essence of each character, from Brian's tacky poly-blend suits to Prince's exaggerated pinstripes.

Emblematic encounters

***Andrew St George** spends an evening at the Riverside theatre*

Two shows at the Riverside Studios demonstrate how catholic a venue this has become. One is *Heartstrings*, a multi-lingual and multi-cultural workout, and the other is *How To Act Better*, a slice of flim-flan served up with a VCR and big screen.

Heartstrings misses the mark for the right reasons. It tries to be bold and demanding, but strays too often into no-sense, worse than nonsense. It is devised and acted by the fine European company, Talking Pictures. Five actors run a series of emblematic encounters together to make an emotional history: arrivals, departures, beginnings and endings are played in mime, song and (at least) seven different languages, more if you count the various dialects of Spanish and English.

The show relies on creating moments of insight which show rather than tell what is happening. The best scenes emerge where least is said: a silent tableau of incest, where the victim cries only "Mama", or the hilarious meeting of two sisters *quasi*-married to the same man, one speaking Castillian, the other Argentinean Spanish. There is a poignant retirement home scene and a good slapstick meeting between two lovers where one learns the other's language with haphazard abandon.

The director, Sandra Mladenovitch has rightly realised that drama can levy demands *and* entertain. She keeps the scenery to a minimum, using only translucent black screens and a junk pile of props. The actors are unremittingly energetic and versatile. The play has moments of great intensity, but it still needs a strong unifying theme. The overall effect is tousled rather than coiffured.

Later at the Riverside, hair is on the agenda for the American, Annie Griffin, who talks three hopefuls through a course in *How To Act Better*. This is a documentary about acting. At one point, the ubiquitous video camera through which she addresses the audience follows her backstage for a bit of dressing-room *vérité* where she bemoans the fate of her tonsured locks.

She starts the evening, her back to the audience, presenting her *résumé*: "Height 5.10" (negotiable) "weight 126 pounds, good posture, fluent French, perfect teeth." She has blood red lipstick, black evening gloves, pearls round her throat and the inevitable black velvet dress. For documentary read vampumentary.

The idea of a tour round the theatre, beginning with Upstage Left and visiting the corners of the stage ("Let's continue our journey downstage") runs out of steam as Griffin runs out of the theatre, seducing the video cameraman on screen. But for 60 minutes, the idea works as Griffin makes hay in the dry ice and camps up imitations of Sara Bernhardt and scenes from *La Dame aux Camelias*.

Griffin is precise, versatile and engaging. Her mannered delivery puts her in Kathleen Turner territory; and the fake chaos and video link trespass on the TV documentary province of fellow Americans Ruby Wax and Laurie Pike. She has a trio of beefcake protégés hoping to act better (Will Brook, Eliot Giuralarocca and Oliver Senton), but they neither need nor profit from her advice. *How to Act Better* makes a relaxing reward after the rigours of *Heartstrings* earlier in the evening.

Both shows at The Riverside Studios (081 748 3354) until December 11

Fireside music

The most delightful moment at this year's *Gramophone* record awards came when Sir Georg Solti, presenting one of the prizes, admitted that he had never heard the piece of music in question, although he added smartly that as it had won, it must be good. The category was highest-selling classical disc of the year. The winner was Górecki's Third Symphony.

Only a couple of years ago Górecki was a name that almost nobody in the West knew. How far the vast popularity of his symphony is due to the simultaneous arrival on the scene of Classic FM is no doubt a topic for discussion in the marketing departments of every music organisation in the country. It seems unlikely that it was wholly coincidence (excerpts from the symphony were playing the very first time I tuned in to Classic FM).

At any rate, there are now large numbers of listeners out there who have decided that they like this form of transcendentalism in music and Radio 3 is evidently keen to get its hands on them. The BBC Symphony Orchestra has already given us some Kancheli; next January it turns its attention to Tavener, the other composer to have scored a hit in this area. For its two concerts in Radio 3's Celebration of Polish Arts and Culture it turned inevitably to – yes, Górecki.

The second of the pair, on Thursday, invited Alexander Lazarev, the orchestra's Principal Guest Conductor, to perform the Third Symphony. (A tame conductor is a necessity, as no other would surely be prepared to spend time on the piece.) How disappointed the programme-planners must have been. Half a million people have bought the CD, but only about 1,000 could be lured to a half-empty Royal Festival Hall to hear it live.

It seems to me that Górecki has produced a new phenomenon: a symphony for the home consumer. Heard after a hard day at the office, the music is no doubt ideal for relaxing, gently transporting the listener off to a higher plane. Soundbites work well, too; the couple of minutes I caught on Classic FM were enough to make anybody want to hear more. But trying to keep concentration going in the concert-hall for nearly an hour on nothing but endlessly repeated common chords is another matter. No wonder Górecki's supporters stayed away.

To provide the Polish coupling, Górecki's Third Symphony was preceded by Szymanowski's Fourth, as much a piano concerto as a symphony really (Janina Fialkowska was the bright soloist). The programme-note helpfully pointed to the composers' shared interest in Polish folk melodies, but it is unlikely the audience will have perceived much in common between them. Szymanowski is as restless as Górecki is static and the Fourth Symphony darts about unconvincingly. The orchestra sounded unhappy with it.

Richard Fairman

Jazz / Garry Booth

Tracey still tops

A month away form his 67th birthday, pianist Stan Tracey is celebrating an eventful half century in music which began with the Ted Heath Orchestra and has only recently been rewarded with a "major" recording contract (with the Blue Note label).

Not that the pianist's teetering piano style and expansive big band writing has ever been hidden from view. Self-produced recordings (some recently re-released) which quickly became collectors' items, 21 commissioned suites commissioned for big occasions and a long stint as house pianist at Ronnie Scott's, followed by much touring, have all combined to keep Tracey at the top in British jazz – and always in the best possible company.

The golden jubilee celebration held at the Queen Elizabeth Hall on Tuesday featured, as a result, some of the country's best lived-in sounds (Alan Skidmore and Don Weller) as well as the freshest young talent (Guy Barder and Gerard Presencer) in exuberant duo, quartet, sextet, octet and flying big band formations.

Kicking off the retrospective in a quartet alongside longtime partner Art Themen, bassist Dave Green and son Clark Tracey on drums, the leader ambled appropriately into Monk's "I Mean You". The pecking keyboard technique and crazy arpeggios owe much to Monk and the duo with young trumpet star Gerard Presencer on the late bebopper's "Pannonica" which followed, was touching enough to attract an early encore.

The Octet, which featured the sweet and sour tones of altoist Peter King and the gruff tenor of Don Weller, showed off Tracey's relaxed but purposeful accompaniment in samba-ish excerpts from the highly recommended Blue Note record *Portraits Plus* (BCDP 7806962). A tender solo reading of Duke Ellington's "Sophisticated Lady", was greeted like an old friend and the 14 piece big band, swinging through the changes with sparks flying from the horns, made strong the connection with Ellington.

There are not may jazz musicians who can write, lead and accompany with such understated inspiration. Back in the 1960s, Sonny Rollins, now noted for his use of slavish sidemen, was said to have been jolted by Tracey's angular accompaniment. Glad to say the prodding and percussive Tracey sound remains as idiosyncratically appealing as it is challenging 30 years on.

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Chess No 999: 1 Ra6. If Kxa6 2 Ba4 d1Q+ 3 Bg1. If 1 . . . c3 2 Be2+ Kb4 3 Rb8. If 1 . . . Kb4 2 Rb8+ Kc3 3 Ra3.

The reason I'm a good news guy

By Michael Thompson-Noel

In the good news/bad news debate, I stand with the good guys – those who believe that newspapers and television emphasise and exaggerate bad news at the expense of the good. One of the reasons I am a good news guy is that the bad news guys – those who thrive on bleakness and sensation and maintain, often comically, that "news", by definition, is almost always "bad" – persistently queer my pitch.

I am no sort of optimist. I am a hard-line, short-term pessimist. But even I can see there is plenty of good news about and believe it should be reported adequately in the interests of balance.

It is a theory of mine that one of the reasons for the emphasis on bad news is that it is cheaper to collect and present. Bad news is a commodity. It floods in from agencies. A decent famine or crash generates a tide of words and pictures which can be shovelled into a page or bulletin at almost the speed of light. Good news, conversely, often has to be mined from a deep and expensive seam. (People who work on news desks will dub this opinion "crap." They can just join the queue).

Some days ago, *The Times* carried three useful letters on good news/bad news. One correspondent claimed that "good news is essential to foster a spirit of optimism and belief that the human race is capable of living in peace and love one with another." No news desk would accept that part of its job was to propagandise feel-good stories in the style of Big Brother, and the objection would not be pernickety.

But a second correspondent, Charles Clayton, executive director of World Vision UK, whatever that may be, scored impressively: "Last August, British newspapers could have run the momentous headline: 'Famine defeated in southern Africa' following the UN's declaration that the threatened drought-related famine, of which we had heard so much, finally had been averted. That story, although positive, ranked as newsworthy by any standards."

HAWKS & HANDSAWS

Two other examples Clayton quoted were: "Cambodian elections miraculously peaceful" and "Life and hope return to Somali villages." He said that all three stories were newsworthy in their own right, and concluded: "Accuracy and balance in individual articles and stories is laudable. But an accurate overall balance – of good and bad news, of positive and negative developments over time – is equally important."

It is essential not to confuse good news with banal. Last April I made a meal, on the travel page, of a hideously irksome flight from London to Bali I had suffered at the hands of Garuda, Indonesia's state airline. The door-to-door travelling time was 28 hours. On and on I whinged.

In the months since then, I have flown hither and thither without a single hitch. Should I have reported this, in the interests of balance? Absolutely not. It is the *job* of airlines to fly people quickly and carefully from one point to another. That is what they are for, how they make their money.

The point about the Garuda flight was that thousands of holidaymakers almost certainly did not know that their flight to Bali would stop *en route* in Paris, Abu Dhabi, Singapore and Jakarta, causing distress and jet-smack and gouging into their holidays. (Garuda reacted stoically: I received a classy letter from one of the high-ups, wishing me pleasant travels the next time I flew with them).

Some media use ombudsmen to help guard readers' and viewers' interests. In future, I expect to see the appointment of good-news editors to help maintain balance.

Suppose that the news editor tells the morning conference that an asteroid is heading for Manchester. Devastation is assured. He is pulling out the stops – ordering page after page of special coverage. He turns to the good-news editor: "Anything, Rodney?" (Good-news editors are bound to be called Rodney.

"Absolutely, Mark. An asteroid that wipes out Manchester suggests various important angles from the good-news perspective. First, once it is rebuilt, Manchester will be able to launch a viable bid for the Olympic games. There will be no more sniggering.

"Second, the obliteration of Manchester is bound to cause a steep fall in the national crime figures. And so on and so forth. Take my word, Mark: the Manchester asteroid is a good-news asteroid from where I'm sitting."

Private View/**Christian Tyler**

The Treasury's top mandarin answers back

Colin Beere

Every day he gets on his bike, props a chapter of Trollope on the handlebars and pedals another bit of road from John O'Groats to Land's End. "I'm nearly there now," he said proudly.

But that is not why Sir Terry Burns was looking so cheerful this week – after all, it is only an exercise bike on a statistical journey. No, he was beaming (cautiously) at press and stock market reaction to the first unified Budget under a new British chancellor, the fifth he has served.

During 11 years as chief economic adviser – he was only 35 when appointed – and nearly three as permanent secretary to the Treasury, this mandarin son of a coalmining mechanic has been regarded as the invisible hand behind the Conservative government's economic strategy. Known to his staff as plain "Terry", the permanent secretary is affable. He has a charming smile, used to good effect. As he walked about the big, overheated office, I was struck by a resemblance to his friend John Major. (Or is it the other way round?)

Sir Terry talks volubly but in a methodical, literal way with an intelligence that seemed analytical rather than imaginative. Perhaps he was more apprehensive than he looked.

Tuesday's Budget, I said, has been called pragmatic, non-doctrinal and political as well as tough. Does that mean there is less of you in it than usual?

He baulked at the question. He had advised on strategy, not detail, he said; from a macro-economic point of view it was "very much the chancellor's Budget" but also "very much in line with what we as an institution are happy with."

Sir Terry wanted to talk about his plans for sharpening the Treasury's management. I wanted to hear him talk about the big policy mistakes – from Lawson's inflationary boom to Lamont's ERM bust. The two subjects seemed in some way connected.

He has engaged Wendy Pritchard, a management consultant, to help him and his officials concentrate their minds. They want to repair their relationship with spending departments which complain of meddling, to consult more with outsiders who say they are out of touch, and make the Treasury a more agreeable workplace for the UK's best and brightest.

You want to correct the Treasury's image as an introverted, elitist organisation?

"It's not really an image I am after. What I am after is that we should do our job better. The real question is how far the criticisms of the Treasury are justified. In some respects I think they have been. It has been a relatively introverted organisation because it conducts most of its business through intermediaries."

Have you yourself become a prisoner?

"No. I don't think I have become in any sense a prisoner. I continue to go out a good deal. I have maintained a good many of my contacts and I think I've got quite good intelligence of what's going on."

The 1980 appointment of Terry Burns, a moderate monetarist and forecasting specialist from the London Business School, was a minor sensation. He was the young outsider the new Tory government needed to challenge the dominant, neo-Keynesian line. Now, in Major's classless society, he *is* the Establishment. Burns does not agree. The fact that he defends his department, he said, does not mean he has lost his critical faculties.

Treasury officials work hard – perhaps inefficiently hard. Sir Terry's contacts with the real world include golf on Saturday mornings, watching Queens Park Rangers play football every other Saturday afternoon, and playing music in a recorder quintet.

Jazz or classical?

He answered seriously: "No, it's classical recorder. We play a wide variety of music."

When not bicycling with Trollope he reads golf and computer magazines – and mountains of paperwork. Last weekend he went back to the north east where he was born to receive an honorary degree from the University of Sunderland. (His own degree is from Manchester).

I observed that the last coal pit in the Durham coalfield is closing. Does the permanent secretary of the Treasury feel any connection to that event?

"I don't feel very closely connected because what has happened to the coal industry has been very largely to do with world trends, to do with technology, to do with the relative costs of producing energy by one means as opposed to another.

"On the other hand when I look at what it is they have been doing to try to compensate for that, then you get into an area more closely related to what we are doing. And the overwhelming sensation I get is to be taken aback by the extent of the change. I find it quite staggering to think that has all happened in the time since I left the north east."

Economist colleagues have complained that they no longer know what Terry Burns believes in. He says that is because he has been so long out of the public arena. His views, he said, were formed between 1972 and 1975, a period that included the Heath U-turn, the collapse of fixed exchange rates, the trial and failure of incomes policy, the Barber boom, the three-day week and high inflation. The combination of crude stimulus and incomes restraint while searching for competitiveness via currency depreciation was "a very dangerous brew. You had to see inflation as a monetary phenomenon, and it had to be attacked by monetary policy."

Once a monetarist, always a monetarist?

"Well, I would say that most of the people I know engaged in the broad subject of macro-economics have changed their views quite a lot over the last 20 years. I've never been at all happy with this idea that you belong to schools. I've never regarded myself as belonging to a particular school, being a card-carrying member and surrounding yourself with only people who think alike."

Sir Terry Burns, the 'invisible hand' behind the Government's economic strategy, reviews past errors and says the Treasury will do better

Monetarism was "absolutely not" a right wing phenomenon: he had always seen the danger of supporting the economics of any one political party.

"I have never had any involvement in my adult life with a party. I have always tried to incorporate within my own views the lessons from experience. How could you help but shift your views when you look at the experience and the variety of things that have happened?"

It was not, he said, that economists had moved from one, monetarist pole towards another, Keynesian one. Rather they had converged from different starting points in a triangular fashion. "Maybe there is greater consensus about these matters than there has been for some time."

You have been accused of making the mistakes for which we are now paying, I said: for failing to foresee the boom, failing to stop it quickly enough, focusing on single indices, for the ERM fiasco, for your attitude to manufacturing industry and, one could add, for losing two Chancellors from under your wing. Do you accept any of those things as your personal mistakes?

"Well, with some of them, obviously, I did contribute. Whether they have had the influence that is sometimes suggested I think is another matter. It's quite true that the forecast I was involved with in 1987-88 failed to see the scale of the boom, failed subsequently to see the scale of the recession, and, you know, there is no doubt about that.

"But the forecasting industry generally over the last six or seven years has had a very difficult time, and that is not only in this country. The Treasury forecasts are no worse than forecasts generally – in fact, if anything, slightly better.

"Obviously one would have wished that one could have foreseen the future with a greater degree of accuracy. Had we been able to do so, I think that it is likely that policy would have been a bit better and the ups and downs wouldn't have been as great."

Were things made worse because the government and its advisers were hooked on certain key indicators and not prepared to take a rounded view of the real economy?

"No, no. Economies have cycles. You are never going to be able to eliminate them. When you have exogenous [outside] pressures of the kind we had during that period, they turn out after the event to have had a substantial effect. There are things, with the best will in the world, you will never see. And even if you can, it is far from evident that you can necessarily correct them.

"It must be your ambition to try to foresee these events and to take evasive action. But what you must not do is set impossible standards, or to assume that all change is the direct consequence of having failed to do something that should have been done, which was to see the future perfectly."

Sir Terry talked of accountability. By this he did not mean that officials like himself should resign if they get their sums wrong but be readier to explain their arithmetic in public. The question of how much responsibility was the adviser's and how much the minister's was "very difficult".

I said: It's reported that you once boasted the government always did what you told it...

"That's not..."

... and that if anything went wrong with the British economy it would be down to you.

"No. I certainly didn't... I did not say that. I *would not* say that because it is not remotely my... perception of what has happened. That is an enormously vain thing to say. I don't know why it is that people have the view that somehow ministers are weak puppets in the hands of enormously strong officials.

"What I may have said in the past is that I have always been listened to."

I asked him if his beliefs had changed.

"When you see the failure of both yourself and colleagues and others to be able to predict things, you do tend to see the process as more complicated and one is less given to strident views about what is obviously right or wrong. You see it increasingly as a very risky business."

Had experience made him more pragmatic in his advice to the chancellor? Was he more aware of the consequences?

"I think you tend to think of a greater variety of possible outcomes and ways in which things may go wrong – where the dangers are. Whether it is a good thing or a bad thing I'm not sure, but it is a characteristic of people that as they age everything is more complicated and the rights and wrongs of particular courses of action are much more difficult to identify in an unambiguous way."

Sir Terry was anxious to point to successes: privatisation, deregulation of the financial markets, the post-ERM monetary policy, the Budget itself.

Is your own reputation also bound up with the success or otherwise of this Budget?

"No. Reputations cannot be made and lost in terms of single events in this world. What matters is how you perform over a period of time."

You will be 50 soon. Is there life after the Treasury – something else you would like to do?

"I would hope at some stage that I would do something else. This is not something I think about a great deal. I have the philosophy of doing the job that I currently have as well as I can, and leaving the future to look after itself. So far, the future has looked after itself."

It was the man speaking, of course, not the permanent secretary to the Treasury.

The Nature of Things / **Clive Cookson**

Science through the looking glass

Step with Alice through the looking glass and glance around the mirror image world. Though everything looks familiar, the air is full of strange and exotic scents.

Peel an orange – it smells and tastes of lemon. Chew some spearmint gum – instead of a minty tang, a caraway flavour fills your mouth. Then sip some cool fresh milk... and spit it out quickly: the taste is quite disgusting. Alice was quite right to warn Kitty: "Perhaps looking-glass milk isn't good to drink."

Lewis Carroll wrote *Through the Looking Glass* soon after Victorian scientists discovered that most organic chemicals – the building blocks of life – exist in identical mirror image forms. Like a pair of right and left hands, they cannot be superimposed.

The critical observation had been made in 1848 by Louis Pasteur while drinking red wine. He analysed the crystals of tartaric acid deposited on the surface of the bottle and managed to separate them into two mirror image forms. One rotated a beam of polarised light in a clockwise direction and the other turned it anticlockwise (this "optical activity" is the classic test for chiral chemicals).

Pasteur went on to make a prescient comment: "The universe is dissymmetrical... life is dominated by dissymetrical actions. I can foresee that all living species are primordially, in their structure, in their external forms, functions of cosmic dissymetry."

Dissymetry has become an established field of science, under the name of chirality (from the Greek word for hand). As scientists discovered the molecular structure of life, they came to realise that almost all biological processes are chiral. The chemicals that make up living cells are made up of one or other of the two possible mirror image forms, but not both; for example all natural amino acids, the building blocks of proteins, are left-handed.

Many scientists have reflected on the origins of biological dissymetry, without coming to any clear conclusion. No one really knows what first skewed amino acids in the left-handed direction. But Pasteur was probably right in holding "cosmic dissymetry" responsible. Indeed the answer to chirality – as to many other scientific mysteries – is probably hidden in the first few microseconds of the universe after its formation in the Big Bang, when our familiar laws of symmetry did not apply.

Whatever may have happened billions of years ago, it is clear now that our cells respond differently to each configuration of any chiral molecule. Take for instance the molecule called carvone; its left-handed form produces a caraway flavour while the right-handed image gives spearmint.

Over the past decade or so, chiral chemistry has begun to move from academic research into industry. Its biggest impact will be in pharmaceuticals. Ordinary chemical reactions produce a 50:50 mixture of mirror image molecules.

Frequently, however, only one is a beneficial drug; the other is at best inactive and may be positively harmful. A tragic example was thalidomide: pharmacists discovered too late that its left-handed form caused birth defects, while the right-handed molecule gave the desired sedative effect.

Under pressure from regulators such as the US Food and Drug Administration, the pharmaceutical industry is quickly building up an array of techniques for making pure left or right-handed drugs.

As well as developing entirely new chiral chemicals, drug companies are examining well established medicines that are currently made as mixtures, to see whether they would benefit from reformulation in pure form.

The most ambitious chiral synthesis so far is the creation of an artificial protein from 99 right-handed amino acids at Scripps Research Institute in California. The protein is the mirror image of a natural enzyme found in HIV, the Aids virus.

Creation of a whole mirror image virus might be possible within a few decades. The prospect is intriguing but not alarming, such an organism could not survive outside the laboratory. It would starve in the real world, as surely as Alice would have if she had lingered long through the looking glass.

TELEVISION

SATURDAY

BBC1

7.00 Lassie. 7.25 News. 7.30 Mythical Magical Creatures. 7.40 Felix the Cat. 7.55 Peter Pan and the Pirates. 8.15 Marlene Marlowe Investigates. 8.35 Tom and Jerry's Greatest Hits. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Including at 12.20 Football Focus: News from the FA Premiership. 12.55 Racing from Chepstow: The 1.00 Jack Brown Celtica Cup Handicap Chase. 1.10 News. 1.15 Rugby Union: Preview of the afternoon's game. 1.25 Racing: The 1.30 Ginsters Handicap Hurdle. 1.40 Rugby Union: Build-up to this afternoon's big match. 2.00 Racing: The 2.05 Rehearsal Handicap Chase. 2.15 Rugby Union: The Barbarians v New Zealand live from Cardiff Arms Park. 4.10 Boxing and Skiing: The best bouts from the Albert Hall, and downhill coverage from Tignes, France. 4.35 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 Happy Families.
6.15 Dad's Army. A royal VIP is about to pass through Walmington train station – can the platoon remove an unexpected obstacle in time to provide a guard of honour?
6.45 Noel's House Party. Comedians Little and Large come knocking on the door, racing driver Johnny Herbert Grabs a Grand, and Rosemarie Ford wins a Gotcha.
7.45 Big Break. Snooker stars pit their skills against each other to help contestants win the mystery star prize.
8.15 Casualty. Suspicions are aroused in the Accident and Emergency Department when a woman prevents her injured son receiving treatment – could the child be an abuse victim?
9.05 Harry. A local paediatric consultant asks Harry to publicise the fact that a new-born baby will die if hospital cutbacks prevent a life-saving operation. On the domestic front, Rita continues to push Harry into adopting a child, a plea ignored by the reporter as he sets off for Spain.
9.55 News and Sport; Weather.
10.15 Match of the Day: The Road to Wembley. Action from the second round of the FA Cup.
11.30 Film: Young Billy Young. Robert Mitchum stars as an ageing gunman who takes a younger man under his wing while seeking to avenge his son's murder. Western, with Robert Walker Jnr (1969).
12.55 Weather.
1.00 Close.

BBC2

8.15 Open University. 9.55 Macgregor's Scotland. 10.25 Dhoop Kinarey.(English subtitles). 11.05 Network East. 11.35 Chanakya.(English subtitles). 12.15 pm Film: The Young Stranger.

1.40 Swallows at the Mill. Film following the breeding cycle of a pair of swallows.
2.10 Civilisation. Sir Kenneth Clark discusses 18th century music and its influence on rococo architecture.
3.00 Somewhere I Call Home. Profile of 28-year-old Guy Crossing, who lives alone in the centre of Australia's harsh Outback.
3.20 Film: Birdman of Alcatraz. Acclaimed drama based on the true story of imprisoned murderer Robert Stroud, who found fame as an ornithologist while serving a 50-year stretch. Burt Lancaster takes the title role, with Karl Malden, Thelma Ritter and Edmond O'Brien (1961).
5.45 Late Again. Highlights from last week's editions of The Late Show.
6.35 Scrutiny. News from the influential parliamentary committees.
7.05 News and Sport; Weather.
7.20 The Great Depression. How the Depression hit the poor hardest, with tenant farmers starving while their landlords received government subsidies. Trade unions began to attract more and more recruits, and a conflict of interests soon arose between organised workers and their employers, leading to bitter and often lethal confrontations at the factory gates.
8.15 Performance: The Entertainer. Award-winning actor Michael Gambon takes the lead role in John Osborne's classic drama, following the changing fortunes of unscrupulous song-and-dance man Archie Rice, a role immortalised on film by Laurence Olivier. After a summer spent performing at a run-down variety theatre and toying with an aspiring showgirl, he faces a personal crisis when his prodigal daughter Jean returns to question his lifestyle.
10.15 Have I Got News for You. Former chancellor Nigel Lawson and actress Kathy Burke join team captains Ian Hislop and Paul Merton.
10.45 Film: They Shoot Horses, Don't They? Melodrama chronicling the grit and determination of competitors in a six-day dance marathon in Depression-era America. Jane Fonda, Michael Sarrazin, Gig Young and Susannah York star (1969).
12.40 Film: Lonely Hearts. Romantic comedy, starring Wendy Hughes and Norman Kaye (1981).
2.20 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Aids - In a New Light '93.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Champions' League Preview. Barcelona v Monaco; Werder Bremen v Anderlecht. A look forward to Wednesday's matches.
1.40 Movies, Games and Videos. A review of Disney's Aladdin, and a special feature on Dr Who, including interviews with Jon Pertwee, Colin Baker and Sylvester McCoy.
2.10 The Big Valley. A young girl, accused of causing trouble, provokes an incident which causes a man's death.
3.05 NBA Basketball. Alton Byrd presents the latest league news and highlights.
4.05 WCW Worldwide Wrestling. Ringside action with the grappling giants.
4.40 ITN News and Results; Weather.
4.55 London Tonight and Sport; Weather.
5.15 Cartoon Time.
5.25 Catchphrase. Quiz.
5.55 Gladiators.
6.55 Blind Date. Cilla Black pairs off two more romance-seeking couples.
7.55 Murder, She Wrote. Jessica uncovers a web of jealousy and hatred after a beautiful ballerina dies on stage. Was there poison on the rose handed to the dancer during the performance, or was an ancient curse to blame? Starring Angela Lansbury, Nancy Valen and Marisa Berenson.
8.50 ITN News; Weather.
9.00 London Weather.
9.05 The Bill. Steele and Garfield are caught in the crossfire when a burglary victim turns vigilante.
9.35 Film: The Rookie. Premiere. Ageing cop Clint Eastwood reluctantly teams up with raw recruit Charlie Sheen and sets out to avenge the murder of his former partner by criminal mastermind Raul Julia. Action thriller, also starring Sonia Braga, Tom Skerritt and Lara Flynn Boyle (1990).
11.45 Film: Ladyhawke. Premiere. Medieval fantasy, starring Rutger Hauer and Michelle Pfeiffer as a couple separated by a wicked spell, and Matthew Broderick as the pickpocket who strives to reunite them (1985).
2.00 The Big E.; ITN News Headlines.
2.55 Travel Trails.; ITN News Headlines.
3.35 European Nine-Ball Pool Masters.
4.30 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 9.45 The American Football Big Match. 11.00 Gazzetta Football Italia. 12.00 Sign On. 12.30 pm Safe TV.

1.00 Red's Dream. First of two computer animations by John Lasseter.
1.10 Racing from Sandown. The 1.20 Ewell Chase, 1.50 Westminster-Motor Taxi Insurance Henry VIII Novices' Chase, 2.25 William Hill Handicap Hurdle, and the 2.55 Mitsubishi Shogun Tingle Creek Trophy Ltd Handicap Chase. Introduced by Brough Scott.
3.15 Film: It's Great to Be Young. Comedy, starring John Mills as a music-loving schoolteacher who clashes with the headmaster over the running of a sixth-form jazz band (1956).
4.55 Tin Toy. Second computer animation by John Lasseter.
5.05 Brookside.
6.30 Right to Reply.
7.00 A Week in Politics. Vincent Hanna and Andrew Rawnsley review the week's developments; News Summary.
8.00 Four-Mations. Bizarre animated shorts, including Mole Hill's The Plague, Small Blue Tick by Luis Cook and Gesine Kratzner, Darren Walsh's Oozat, and the Quay Brothers' music video Can't Go Wrong Without You.
8.30 Whose Line Is it Anyway? Another selection of improvised comedy sketches.
9.00 Brides of Christ. Rosemary (Kym Wilson) embarks on an illicit affair after learning the facts of life at an explicit lecture given by Sister Agnes. Australian drama set in a convent in the 1960s, with Oscar-winner Brenda Fricker.
10.05 Rory Bremner: Who Else? Topical political satire from the man of many faces.
10.45 Film: The Producers. Zero Mostel and Gene Wilder star in Mel Brooks' wickedly funny Broadway satire about an unscrupulous impresario who mounts a musical about Nazi Germany in the hope that it will flop, enabling him to pocket his investors' money. But his plan backfires when the bad-taste show proves a huge hit (1968).
12.15 Late Licence.
12.25 Herman's Head.
12.50 Late Licence.
12.55 Eurotrash.
1.25 The Word.
2.30 Saturday Zoo.
3.30 Here and Now.
4.00 Weekender.
4.20 Made in the USA.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.40 COPS. 2.05 Break in the Circle. (1955) 3.45 Knight Rider. 4.55 Anglia News and Sport 6.00 Anglia Weather.

BORDER: 12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Kick Off. 2.00 Granada Sport: Action. 4.55 Border News. 5.05 Sports Results

CENTRAL: 12.30 America's Top 10. 1.05 Central News 2.10 Knight Rider. 3.05 The A-Team. 3.55 Bugs Bunny. 4.55 Central News 5.00 The Central Match – Goals Extra. 9.00 Local Weather.

CHANNEL: 12.30 Movies, Games and Videos. 1.05 Channel Diary. 1.40 Sail the World. 2.10 NBA Basketball. 3.10 The Munsters Today. 3.40 Cartoon. 3.55 WCW Worldwide Wrestling. 4.55 Channel News. 6.00 Puffin's Pla(i)ce.

GRAMPIAN: 12.30 Movies, Games and Videos. 1.05 Grampian Headlines 1.40 Telefios. 2.10 Haggis Agus. 2.40 Caiptean Zed Agus an Zee Zone. 3.10 Tomas Tolleach 'S A Charaidean. 3.25 Cuirn Cloinne 3.35 Zorro. 3.55 Cartoon Time. 4.55 Grampian Headlines 5.00 Grampian News Review. 9.00 Grampian Weather.

GRANADA: 12.30 Movies, Games and Videos. 1.05 Granada News 1.10 Kick Off. 2.00 Granada Sport: Action. 4.55 Granada News and Sport. 5.05 Goals Extra. 9.00 Granada Weather.

HTV: 12.30 No Naked Flames. 1.05 HTV News. 1.40 Sail the World. 2.10 That Riviera Touch. (1966) 4.00 Baywatch. 4.55 HTV News and Sport 9.00 HTV Weather.

HTV Wales as HTV except: 12.30 Movies, Games and Videos. 2.10 Championship Boxing.

MERIDIAN: 12.30 Movies, Games and Videos. 1.05 Meridian News. 1.40 Sail the World. 2.10 NBA Basketball. 3.10 The Munsters Today. 3.40 Cartoon. 3.55 WCW Worldwide Wrestling. 4.55 Meridian News.

SCOTTISH: 12.30 Movies, Games and Videos. 1.05 Scotland Today. 1.40 Telefios. 2.10 Caiptean Zed Agus an Zee Zone. 2.40 Haggis Agus. 3.10 The Sullivans. 3.40 The A-Team. 4.55 Scotland Today 9.00 Scottish Weather. 11.45 Out There.

TYNE TEES: 12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.40 Wanted: Dead or Alive. 2.10 You Know What Sailors Are. (1954) 3.45 Baywatch. 4.55 Tyne Tees Saturday

WESTCOUNTRY: 12.30 Movies, Games and Videos. 1.05 Westcountry Weekend Latest. 1.40 The A-Team. 2.35 Anybody Out There? 4.55 Westcountry Weekend Latest.

YORKSHIRE: 12.30 Movies, Games and Videos. 1.05 Calendar News. 1.40 Wanted: Dead or Alive. 2.10 You Know What Sailors Are. (1954) 3.45 Baywatch. 4.55 Calendar News.

S4C Wales as Channel 4 except:- 7.05 Early Morning. 12.30 Les Bicyclettes De Belsize. 1.00 Mago's Express. 2.05 Rygbi. 4.10 Racing from Sandown. 4.35 Whatever Happened to the Chairman's Rolls Royce? 6.30 Cwlwm Serch. 7.00 Newyddion. 7.15 Bacha Hi O'Ma. 8.00 Tocyn Tymor. 9.00 Pris y Farchnad.

SUNDAY

BBC1

7.00 Match of the Day: The Road to Wembley. 8.15 Breakfast with Frost. 9.15 Christmas is Coming. 10.00 See Hear! 10.30 Mosaic: Careers Guidance. 11.00 Careering Ahead. 11.30 The Human Element.

12.00 Bellamy Rides Again. An explanation of the phosphorus cycle.
12.30 CountryFile.
12.55 Weather for the Week Ahead.
1.00 News.
1.03 On the Record. How will Mr Malcolm Rifkind, defence secretary, make the savings needed by the treasury?
2.00 EastEnders.
3.00 Smash Hits Poll Winners Party 1993. Take That, East 17 and 2 Unlimited are among the bands appearing live at the pop awards show, hosted by Andi Peters and special guest The Fresh Prince.
4.35 Biteback.
5.15 The Clothes Show. Does the fashion industry's employment of slender models cause feelings of inferiority among women?
5.40 The Borrowers. The tiny travellers move to their new home, but Pod's life is threatened when he is targeted by a youngster armed with a catapult. Ian Holm stars.
6.10 News.
6.25 Songs of Praise.
7.00 Last of the Summer Wine. Foggy needs a volunteer to test his new safety underwear for cyclists.
7.30 Film: A Ghost in Monte Carlo. Period romance about a naive young lady and the men smitten by her charms. Sarah Miles, Oliver Reed and Samantha Eggar star (TVM 1990).
9.00 To Play the King. Urquhart becomes increasingly resentful as the King makes clear his opposition to the government's hard-line social policies. As his popularity plummets, the scheming prime minister decides drastic action is needed and resorts to blackmail. Starring Ian Richardson and Michael Kitchen.
9.55 News and Weather.
10.10 Legendary Trails. Nicholas Shakespeare travels to the Andes in Peru to witness an unusual three-day festival combining Christian and Inca religious beliefs.
11.05 Film: Do You Remember Love? Powerful and unsentimental drama about the trauma of a middle-aged English teacher whose lapses of memory are diagnosed as Alzheimer's disease. Joanne Woodward stars, with Richard Kiley, Geraldine Fitzgerald and Jim Meltzer (1986).
12.40 Weather.
12.45 Close.

BBC2

7.15 Poddington Peas. 7.20 Playdays. 7.40 Wishing. 7.50 Telling Tales. 8.05 Blue Peter. 8.55 Albert the 5th Musketeer. 9.15 Simon and the Witch. 9.30 TimeBusters. 10.00 Grimmy. 10.25 Grange Hill. 10.50 Growing Up Wild. 11.15 The Boot Street Band. 11.45 The O Zone. 12.00 Stingray. 12.25 pm Gunsmoke. 1.15 The Phil Silvers Show.

1.40 The Living Soap. As Christmas approaches, the students find their tempers beginning to fray.
2.00 Around Westminster. The region's political developments.
2.30 Wildlife on Two. Borneo's proboscis monkey, named for its huge nose.
3.00 Film: We Dive at Dawn. Second World War adventure about a British submarine crew stranded in the Baltic Sea. John Mills stars (1943).
4.35 Ski Sunday. New series. Highlights of the Womens' Downhill from Tignes, France, plus a preview of next week's Men's Downhill in Val d'Isere.
5.10 Rugby Special. The Barbarians v New Zealand. Chris Rea presents coverage from Cardiff as top players from England, Scotland, Ireland and Wales combine to take on the might of the All Blacks in this traditional end-of-tour match where open rugby is always the order of the day. Plus, comprehensive news of the weekend's English league matches.
6.10 One Man and His Dog. Phil Drabble introduces the Young Handlers' Championship.
7.00 The Money Programme. In-depth investigations into business issues.
7.40 Theatre School. As the end of their three-year training period approaches, the students at London's Drama Centre nervously contemplate the future.
8.10 Locomotion. US railways and their role in the country's commercial life over the past 130 years.
9.00 Notes and Queries with Clive Anderson. Christine Keeler and Andrew Neil join Clive to investigate changing attitudes towards politicians' sexual misdeeds.
9.35 Human Rights, Human Wrongs. John Simpson introduces a series of five short programmes exploring ongoing human rights abuses.
9.50 Filmworks. Robert McKee analyses tonight's classic movie.
10.00 Film: Shane. Western, starring Alan Ladd and Jack Palance (1953).
12.00 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 Sunday Morning. 12.30 pm Crosstalk; Weather.

1.00 ITN News; Weather.
1.10 Walden. Political interviews.
2.00 Highway to Heaven. Part two. Jonathan and Mark help former high-school baseball star Deke accept his disability.
2.50 The Sunday Match. Southend United v Leicester City. Matthew Lorenzo and Ian St John introduce live coverage of the match from Roots Hall.
5.30 Beside the Seaside.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 SeaQuest DSV. Steven Spielberg's SF adventure, starring Roy Scheider and Stephanie Beacham.
7.30 Heartbeat. Kate receives a tempting job offer, while a new inspector brings changes to Aidensfield police station. Trouble and tragedy ensue when village residents visit Whitby to hear Gina singing at a club, and Greengrass finds himself in dire financial straits after a visit from the tax inspectors. Nick Berry, Niamh Cusack and Bill Maynard star.
8.30 You've Been Framed!
9.00 London's Burning. The fire-fighting series comes to a dramatic end when one of the Blue Watch team is left fighting for his life following an accident at a disused warehouse. James Hazeldine, Andrew Kazamia, John Alford and Sean Blowers star.
10.00 Spitting Image. Comedy with the latex puppets.
10.30 ITN News; Weather.
10.40 London Weather.
10.45 The South Bank Show. The second part of John Lloyd's guide to comedy looks at the art of the stand-up comedian, and visits the Soho strip club where alternative humour was born. With contributions by Lenny Henry, Rik Mayall, Roy "Chubby" Brown, Harry Enfield, Alexei Sayle, Jo Brand, Jack Dee and Jim Davidson.
11.45 Sail the World. An update on the second leg.
12.15 Cue the Music.
1.15 War of the Worlds.
2.05 Get Stuffed; ITN News Headlines.
2.10 Derrick.
3.20 Get Stuffed; ITN News Headlines.
3.25 On the Grid.; ITN News Headlines.
3.55 Film: On the Run. Three children flee to the seaside when one of their friends falls victim to a kidnap plot. Adventure, starring Dennis Conoley (1969).
5.00 Crusade in the Pacific.

CHANNEL4

6.00 Early Morning. 9.25 Wowser. 9.40 Laurel and Hardy. 9.45 Dog City. 10.15 The Lone Ranger. 10.45 Land of the Giants. 11.45 Little House on the Prairie. 12.45 pm Bush Tucker Man.

1.15 Football Italia. Soccer action, on a day when fixtures include Juventus v Napoli.
3.30 Film: Dentist in the Chair. Comedy, starring Bob Monkhouse and Ronnie Stevens as mischievous dental students who find themselves up to their teeth in trouble (1960).
5.10 News.
5.15 High Interest. Jinny Ditzler is an American management consultant living in London who offers a range of counselling services to corporate executives. The programme follows her work with a now successful life insurance company prior to its launch.
6.00 Moviewatch. Previewing new films Ruby in Paradise, Bound and Gagged, The Hawk and Addams Family Values. Plus, an interview with Mel Brooks.
6.30 The Cosby Show.
7.00 Equinox. A look at the implications of the latest developments in video games. As electronically generated fantasy environments become ever more sophisticated and convincing, is there a risk that young people will retreat from reality altogether, and become permanent dwellers in illusion?
8.00 The Great Commanders. The military genius of Napoleon Bonaparte, displayed to devastating effect during the historic Battle of Austerlitz.
8.45 The Rape of Tutankhamun. An investigation into the deterioration of the 24 royal tombs in the Valley of the Kings, including the excavated remains of Tutankhamun's final resting place.
10.00 Film: Stand By Me. The late River Phoenix co-stars with Corey Feldman, Wil Wheaton and Jerry O'Connell in director Rob Reiner's bittersweet slice of 1950s American nostalgia, following the pain and pleasure of four 12-year-olds as they search the vast woodlands near their Oregon home for the body of a dead teenager (1986).
11.40 Four-Mations.
12.10 Film: Sarraounia. African drama about a warrior queen's attempts to repel an invasion by the French army. Al Keita and Jean-Roger Milo star (1986).
2.20 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA: 12.30 Help. 12.55 Anglia News. 2.00 International F3000 Championships. 2.30 Anglia Sport Special. 5.00 Bullseye. 5.30 Anglia at War. 6.00 Anglia News on Sunday 10.40 Anglia Weather.

BORDER: 12.30 Gardener's Diary. 12.55 Border News. 2.00 The Horse Without a Head. (1963) 3.30 7th Heaven. 4.00 Go for Goal. 4.30 Scotsport. 5.30 Sounds at the Sands. 6.00 Border Week. 6.15 Border News.

CENTRAL: 12.30 Take 15. 12.45 Central Newsweek. 12.55 Central News 2.00 Central Lobby. 2.25 1st Night. 2.50 The Central Match – Live. 5.20 Life Goes On. 6.15 Central News 10.40 Local Weather. 11.45 Billy.

GRAMPIAN: 11.00 Deanamaid Gairdeachos. 11.45 Elkon. 12.00 Sunday Morning. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 The Nature of Things. 3.00 Highway to Heaven. 4.00 Sail the World. 4.30 Scotsport. 5.30 The Business Game. 6.00 Put it in Writing. 6.15 Grampian Headlines 10.40 Grampian Weather. 11.45 On the Grid.

GRANADA: 12.25 Granada on Sunday. 12.55 Granada News 2.00 What a Way to Go! (1964) 4.15 Animal Country. 4.45 Go for Goal. 5.15 Coronation Street. 6.15 Granada News

HTV: 12.30 HTV News. 12.35 HTV Newsweek. 2.00 Inner Journeys. 2.45 Eurosurf Championships 1993. 3.45 Rock, Rock, Rock. (1956) 5.15 Movies, Games and Videos. 5.45 Anybody Out There? 6.15 HTV News. 10.40 HTV Weather. 11.45 Wanted: Dead or Alive.

MERIDIAN: 12.30 Seven Days. 12.50 Meridian News. 2.00 Country Ways. 2.30 Cartoon. 2.45 Sunday Sport – Live! 5.15 Grass Roots. 5.45 Dogs with Dunbar. 6.15 Meridian News. 11.45 Serve You Right.

SCOTTISH: 10.15 Wemyss Bay 902101. 11.00 Link. 11.15 Sunday Morning. 11.45 Sunday Service. 12.30 Elkon. 12.45 Weir's Way. 12.55 Scotland Today. 2.00 The Sea Chase. (1955) 4.00 Scottish Tourism Oscars. 4.30 Scotsport. 5.30 The Business Game. 6.00 The Bo'c. 6.15 Scotland Today 11.45 Sunday Morning.

TYNE TEES: 12.25 Lives in Focus. 12.50 Tyne Tees Newsweek. 2.55 Seven Nights in Japan. (1976) 4.50 The Champions – Where Are They Now? 5.20 Hannah USA. 5.50 Tyne Tees Weekend. 11.45 Beverly Hills 90210.

ULSTER: 12.30 Gardening Time. 12.55 UTV Live News 2.00 You're Gonna Pay Me As Well. 2.30 Hannah USA. 3.00 Bullseye. 3.30 Police Stop. 3.40 The Magnificent Showman. (1964) 6.10 Witness. 6.15 UTV Live Evening News 10.40 UTV Live News

WESTCOUNTRY: 12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 The Wind Cannot Read. (1958) 4.05 Cartoon Double Bill. 4.15 Hannah USA. 4.45 Man in a Woman's World. 5.15 Highway to Heaven. 6.15 Westcountry Weekend Latest.

YORKSHIRE: 12.25 Nawrang. 12.50 Calendar News. 2.55 Seven Nights in Japan. (1976) 4.50 The Champions – Where Are They Now? 5.20 Hannah USA. 5.50 Calendar News and Weather 10.40 Local Weather. 11.45 Beverly Hills 90210.

RADIO

SATURDAY

BBC RADIO 2

6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Sally O'Sullivan. 12.00 Hayes on Saturday. 1.30 An Actor's Life for Me. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 A Handful of Keys. 5.00 Cinema 2. 6.30 Nick Barraclough. 6.00 Eartha Kitt. 7.00 Edmundo Ros. 7.30 Proms 9.30 David Jacobs. 10.00 Arts Programme. 12.05 Ronnie Hilton. 1.00 Jon Briggs. 4.00 Barbara Sturgeon

BBC RADIO 3

6.35 Open University: Countdown to Angles.
6.55 Weather.
7.00 Record Review Mendelssohn, Tchaikovsky, Mozart, Franck, Von Schacht.
9.00 An Advent Calendar.
9.10 Record Review. Denis Stevens reviews releases of Renaissance and Baroque music.
12.00 Spirit of Age
1.00 News.
1.05 Table Talk in Poland.
1.20 Chopin.
1.55 Polish Baroque.
3.00 Vintage Years.
5.00 Jazz Record Requests.
5.45 Music Matters. Chopin's mazurkas.
6.30 Moise et Pharaon. Rossini's French opera.
10.00 Polish Violin Music. Gorecki, Szymanowski, Lutoslawski, Bacewicz.
10.40 A Country Child. The birthplace of Frederick Chopin.
11.00 Impressions. A set by Emanon, recorded in Manchester.
12.30 News
12.35 An Advent Calendar.
12.45 Close

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today
9.00 News.
9.05 Sport on 4
9.30 Breakaway.
10.00 Loose Ends.
11.00 Week in Westminster.
11.30 Europhile.
12.00 Money Box. Budget review.
12.25 I'm Sorry I Haven't a Clue.
1.00 News.
1.10 Any Questions?
2.00 Any Answers?
2.30 Playhouse: London Assurance. Boucicault's comedy of manners.
4.00 Age to Age. The history of the papacy.
4.30 Science Now. Discoveries and developments.
5.00 Costing the Earth. Environmental information.
5.25 Tea Junction.
6.00 News and Sports.
6.25 Week Ending.
6.50 Postcard from Gotham. US theatre
7.20 Kaleidoscope. British film makers in Hollywood.
7.50 Saturday Night Theatre. My Cousin Rachel. By Daphne du Maurier.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Open Mind
10.45 Famous for 15 Minutes.
11.00 Personal Records.
11.30 The Nick Revell Show.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5

6.00 World Service.
6.30 Weekend Edition.
9.30 Get Set
10.30 Hopalong Cassidy
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
6.05 Sv-O-Six
7.30 Afropop Worldwide.
8.30 Lo Top
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 The Way Out.
12.00 Close.

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT: 6.00 News. British News; The World Today. 6.30 Europe Today. 7.00 News. 7.30 People and Politics. 8.00 News; Words of Faith: A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports. 10.00 Printer's Devil; Letter From America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From The Weeklies 11.00 News. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News, Words of Faith; Multitrack Three. 12.45 Sports. 1.00 Newshour. 2.00 News; John Peel. 2.30 Sportsworld. 3.00 News; Sportsworld. 4.00 News; British News; BBC English. 4.30 Heute Aktuell: News in German. 5.00 News; Sportsworld. 5.30 BBC English. 6.00 News. 6.30 Heute Aktuell: News in German. 7.00 Nachrichten; Weekend Feature. 8.00 News; Words of Faith; Personal View; Jazz For The Asking. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports. 11.00 News; Words of Faith. Book Choice; A Jolly Good Show 12.00 News. 12.30 The John Dunn Show. 1.00 News. 1.01 Play of the Week: Dr Strangelove. 2.00 News. 2.30 The Divine Supermarket. 3.00 News. British News; Sports. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News; Coast To Coast. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 John Sachs. 10.30 Hayes On Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Sounds of the Fifties. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Jon Briggs. 3.00 Alex Lester.

BBC RADIO 3

6.55 Weather.
7.00 Sacred and Profane.
9.00 An Advent Calendar.
9.10 Brian Kay's Sunday Morning.
12.15 Music Matters.
1.00 News.
1.05 Chopin.
1.40 Polish Baroque.
2.40 Young Artists' Forum.
4.15 A Service for Advent with Carols. From St John's College, Cambridge.
5.45 Making Waves. Review of the past week's artistic events.
6.30 Britten Quartet.
7.30 Sunday Play: Mariage Blanc. By Tadeusz Rozewicz.
9.10 Music In Our Time. Witold Lutoslawski.
10.10 Manna Milic, Mokranjac, Rachmaninov, Stuker.
11.00 BBC Invitation Concert. Penderecki, Alexander Lason, Szymanowski, Gorecki, Bacewicz, Waclaw ze Szamotul.
12.30 News.
12.35 An Advent Calendar.
12.45 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken. Presented by Jack Hywel-Davies.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm. An artist's view of the British landscape.
7.40 Sunday. Religious news.
8.50 Rev Canon Geoffrey Brown. On behalf of the St Martin-in-the-Fields Christmas Appeal.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service. From the Church of the Ascension, Birmingham.
10.15 The Archers.
11.15 Mediumwave. The past week in the media.
11.45 Four Corners. Travel reports from around the world.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: Riders of the Purple Sage. By Zane Grey.
3.30 Pick of the Week.
4.15 Analysis.
5.00 Looking For An Old England.
5.30 Poetry Please!
6.00 News.
6.15 Feedback.
6.30 Europhile.
7.00 Ice Cream to the Eskimos.
7.30 Devout Sceptics. With author Edna O'Brien.
8.00 Two People. New series.
8.30 Reading Aloud.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Taking the Medicine.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As BBC World Service.

BBC RADIO 5

6.00 World Service.
6.30 Weekend Edition.
9.30 Frankie's Monster.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Simon Fanshaw's Sunday Brunch.
2.00 Writer's Weekly.
2.30 Sporting Albums.
3.00 Sunday Sport.
6.00 The Eagle Dares.
6.30 Education Matters.
7.00 Sportsdesk.
7.15 Money Talk.
7.45 In Other Words.
8.00 Italianismo.
8.30 Make German Your Business.
9.00 Restart French.
9.30 Black Museum.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE

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CHESS

At 42, Anatoly Karpov is playing like a grandmaster in his second chess youth. When Nigel Short defeated him a year ago, many believed that Karpov's career at the top was over; but he was inspired by his ambition to record 100 tournament first prizes and by his new opportunities when Gary Kasparov was stripped of his FIDE world title.

Karpov outplayed Jan Timman for the FIDE crown, while this week he reached the final at Tilburg, the chess world's strongest knock-out. It remains unclear how the FIDE-PCA schism will be resolved, but Karpov wants to rebuild his credibility for a possible reunification match with Kasparov.

Karpov's final opponent at Tilburg, Vassily Ivanchuk, was once ranked world no 2, but his results are often flawed by poor nerves. Here he controls the tactics started by Black's 20 Nxc3 and wins by a neat finesse at the end.

(V Ivanchuk, White; V Epishin, Black; Tilburg 1993).

1 e4 c6 2 d4 d5 3 Nc3 dxe4 4 Nxe4 Nd7 5 Bc4 Ngf6 6 Ng5 e6 7 Qe2 Nb6 8 Bb3 h6 9 N5f3 a5

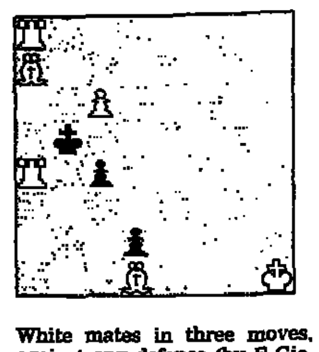
10 a4 c5 11 Be3 Qc7 12 Ne5 cxd4 13 Bxd4 Bc5 14 Ngf3 0-0 15 0-0 Rd8?(Bd7) 16 c3 Bd7 17 Bxc5 Qxc5 18 Nd4 Be8 19 Kh1 Nbd5 20 f4 Nxc3?!

21 bxc3 Qxc3 22 Nxe6! fxe6 23 Bxe6+ Kh8 24 Rac1 Qa3 25 Qe2 Rd4 26 Qf5 Qxa4 27 Bf7! Bxf7 28 Nxf7+ Kg8 29 Nxh6+ Kh8

30 Nf7+ Kg8 31 Ne5 Qe8 32 Rc7 a4 33 Qg5 Nd7 34 Ng6 Qe2 35 Kg1 Re8 32 Rc7 a4 33 Qg5 Nd7 34 Ng6 Qe2 35 Kg1 Re8 36 Ne5 a3 37 Nxd7 Qe7 38 Qb5 and Black lost on time. If Rd8 (to regain the N)

39 Qb3+ Kh8 (Kh7 40 Qc2+) 40 Rc3! wins.

No 999



White mates in three moves, against any defence (by F Giegold). This problem is harder Than it looks, it has a witty solution.

Leonard Barden

Solution Page XXII

BRIDGE

My hand today comes from rubber bridge and has interesting points of bidding and play. This is what happened at one table:

	N	
	♠ J 10 8 7	
	♥ A K J 9	
	♦ 6 4	
	♣ Q J 3	
W		E
♠ 6 2		♠ A 4 3
♥ 10 6 5 3		♥ Q 8 7 2
♦ 9 3 2		♦ K 8 7 5
♣ 8 6 5 4		♣ 7 2
	S	
	♠ K Q 9 5	
	♥ 4	
	♦ A Q J 10	
	♣ A K 10 9	

With neither side vulnerable, South dealt and bidone diamond. North replied with one heart. South re-bid one spade – most players would say two spades – North raised to four spades, South bid four no-trumps and went six spades after the response of five diamonds.

West led the heart three, taken by the king, and dummy's seven of spades was led back, holding the trick. The eight followed, East won with his ace and switched to the eight of diamonds – a good psychological play, forcing South to take an early decision.

The declarer played his ace, pulled the last trump and cashed four clubs, discarding dummy's diamond. There was now no way of making the contract and South went one down. A feeble performance.

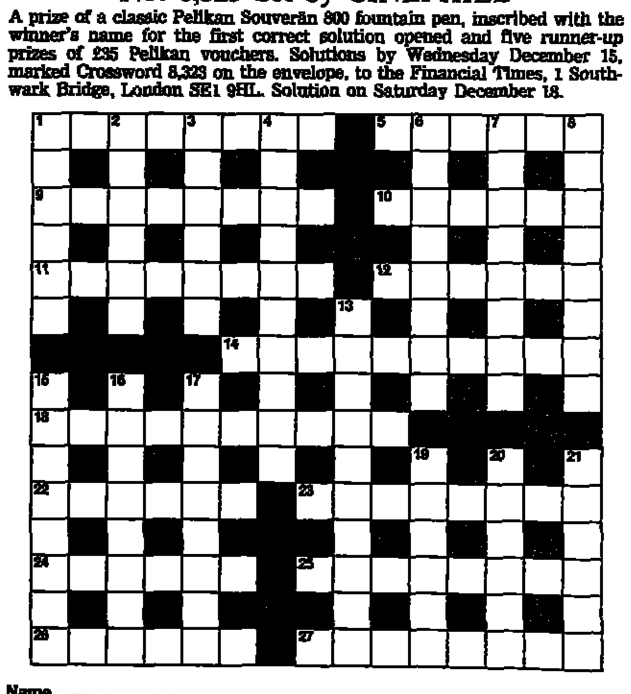
Let us replay the hand with better technique. When dummy goes down, we have 10 top tricks and the diamond finesse will land the slam. As the cards lie, the king is onside but the finesse is not the expert line of play. We win the lead with dummy's king and at once ruff a heart with our queen of spades, returning the spade five to the seven and ace. East returns a diamond, we win with the ace, cross to the spade 10 and ruff another heart with our king of spades. We cross to the club knave, draw the last trump and claim.

E.P.C. Cotter

CROSSWORD

No. 8,323 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday December 15, marked Crossword 8,323 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday December 18.



Name...

Address...

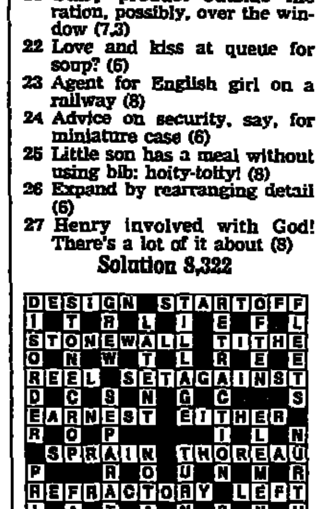
ACROSS

1 Greater part in captain's promotion? (8)
5 Record to preserve reaches deadlock (3-3)
9 Sound principal for electricity supply (4,4)
10 Signaller whose field was acquired by Disraeli (6)
11 Saltiness makes sense – about one pound (8)
12 A crab I cooked with tongue (6)
14 He hates us doing work on the kettle-holder in the corner (10)
18 Dairy product outside the ration, possibly, over the window (7,3)
22 Love and kiss at queue for soup? (6)
23 Agent for English girl on a railway (8)
24 Advice on security, say, for miniature case (6)
25 Little son has a meal without using bib: hoity-toity! (8)
26 Expand by rearranging detail (6)
27 Henry involved with God! There's a lot of it about (8)

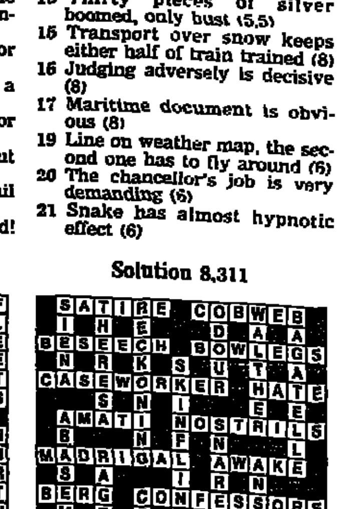
DOWN

1 Doctor got up in a bad temper (6)
2 Psychologist leads the French in competitive scene (6)
3 Gipsy or otherwise, lots (6)
4 Number of articles or steps for entry. I hint (6-4)
6 I reprove characters that have gone too far (8)
7 Dictatorship afoot, giving sailor advantage (8)
8 Name, say of girl, getting money order for pound sterling (8)
13 Thirty pieces of silver boomed, only bust (5,5)
15 Transport over snow keeps either half of train trained (8)
16 Judging adversely is decisive (8)
17 Maritime document is obvious (8)
19 Line on weather map, the second one has to fly around (6)
20 The chancellor's job is very demanding (6)
21 Snake has almost hypnotic effect (6)

Solution 8,322



Solution 8,311



WINNERS 8,311: Anne Gadd, Poulton le Fylde, Lancs; Cynthia Abbott, London SW1; Mrs N. Datta, London W4; D. Leapman, Willowdale, Ontario, Canada; M.R. Lees, Ipswich; Janet I. Sprent, Wormit, Fife.

هكذا من الاصل